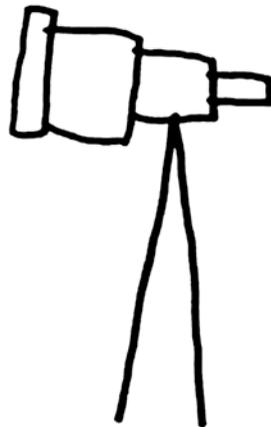




# TONY'S CHOCOLONELY®

annual **FAIR** report  
2019/2020



so..  
what do  
you think?



it's out of  
this world





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# Don't kid yourself

Illegal child labor and modern slavery are alive and well. To create global, systemic and lasting change, we must work together. To tackle the problems in the chocolate industry we all need to be part of the solution. Keep reading to discover what we did last year and how you can join us. Time to make a statement!

20 years ago, Big Choco supported the idea to drastically reduce illegal child labor from the cocoa supply chain. Today nothing has really changed. 1.56 million children are still working illegally on cocoa farms in Ghana and Ivory Coast. The shocking figures still stand and are not a happy discovery.

→ Read more on what's happening in **fight for equality and fairness**

Our ambitious mission to change the cocoa industry requires a clear strategy, strong culture and a high achieving team.

→ Take a closer look at our roadmap, KPIs, SDGs and our team in **team, one mission**

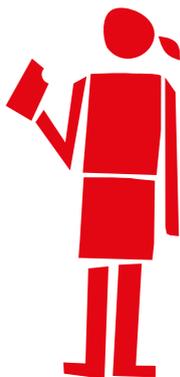
In order to maximize our impact on the ground and lead by example in the cocoa industry, we've founded Tony's Open Chain. In this collaborative initiative chocolate companies can join us to change the norm in the industry.

Learn more about Big Choco in  
→ **Big Choco: take responsibility for your supply chain**



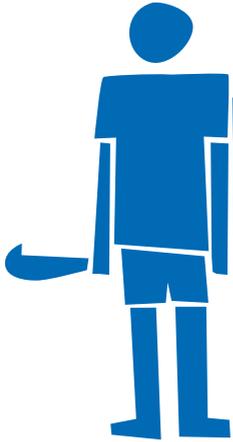
To really change the system from the inside out, we believe we need to work together. Happily, we do. We have mission partners like Tony's Open Chain. We also have allies for legislative change.

→ Find out more in the chapter **government**



We believe Choco Fans are the ones that drive our mission forward, the ones that form the movement that really makes an impact in the world. But there's more work to be done.

→ Read it in the chapter dedicated to the **Choco Fans: friendship makes the world go round**



Whoop whoop! Farmers in West Africa just got a per-kilo pay raise for their cocoa. Sounds good right? Well.. it's still a far cry from the Living Income Reference Price (LIRP) they need to escape poverty. Here's how we're cheering the industry on for more progress.

➔ Read up on it in **serious about farmers**

Retailers, being one of the key stakeholders, can also play an essential role in changing this world for the better. We've already teamed up with Albert Heijn, but we need many more retail partners in this journey. Together we can make it happen.



➔ Read more about it in **Retailers: really changing the landscape**

Hello impact, meet finance. Everything and more you want to know about numbers, key financial events and impact costs. For a quick read dive in **the numbers, the numbers.**

Have you seen our manifesto film yet?



➔ For the financial die-hards: jump for joy and go straight to: **Deep dive: financial statements**

# THESE ARE HECTIC TIMES..

Pretty scary actually, when you consider that we are borrowing the earth from future generations. Our intention is to pass it on better than how we received it. But what is happening today shows a different picture: global climate change, ever-growing financial inequality, in which Apple has a larger market value than the Gross National Product of the whole of the Netherlands and in which multinationals pay hardly any profit tax. Add to that the Covid-19 pandemic: that gives little confidence in the future. In my opinion, we just go ahead and do no more than shut down the economy almost completely with an (intelligent) lockdown, only to hope for economic recovery and a vaccine in a society of social distancing. I am skeptical about a vaccine against a mutating virus. Anyway, who am I, at least not a doctor or a politician? Banks are rapidly printing money, so that for the time being nothing seems to be going on from an economic point of view. But nothing could be further from the truth.

Looking at inclusivity and equity.. We, as a society, don't dare to enter the discussion about Black Lives Matter. We are ducking away! We'd rather talk about the risks of Covid-19 infections than about why millions of people all over the world take it to the streets to demonstrate against extreme police violence and systemic racism. In the Netherlands the BLM discussion centers around the firm words about Black Pete (Zwarte Piet, a racist black face caricature) by the Amsterdam-Ghanese rapper Akwasi. Or about the 'vandalistic PR stunt' by Tony's Chocolonely at the statue of J.P. Coen on the corner of Tony's Chocolonely Chocolate Bar at the Beurs van Berlage in Amsterdam.. For the latter I was in jail for 4 hours, to my horror. As an international impact company we do not walk away from our responsibility. Change is difficult, but necessary. In my opinion we have to stand up together against (racial) inequality, Black Pete really needs to go. Black Pete is really not ok, sorry that we are only now taking a clear stand on this.

Take care of each other and our planet, please, we only have her on loan.

And in spite of everything, we, Tony's Chocolonely, are grateful. Even though we've had a few Covid-19 cases, Team Tony's is healthy.

We're making the impact we're so striving for in West Africa. And even though we haven't realized 2 out of 3 financial KPIs (50% revenue growth year on year, 40% gross margin, 4% net result), we've grown solidly in revenue over the past 12 months. Just before Covid-19 struck, we brought Verlinvest and JamJar on board as investors. That led to a full cash-box and gives me confidence in sustainable international growth. Unfortunately, we had to temporarily pause the realization of our chocolate factory Tony's Chocolonely Chocolate Circus (TCCC) because we did not have a timely deal with a real estate investor. At the moment, we are busy with

Avignon Capital to move the TCCC project ahead. We have anchored our partnership with Barry Callebaut for the long-term – together we want to structurally change and improve the cocoa value chain. We have more good news, because we have a new Tony's Open Chain mission ally: Aldi. I am proud of the team.

For the safety of our team, we decided – with a job guarantee for everyone – to work from home for a long time, but our Super Stores and the Chocolate Bar in Amsterdam remain closed. This is definitely requires a different way of working. That's why we optimize working from home for everyone. We pay a lot of attention to (in)equality, #BLM, inclusivity and equality – because we, too, are not without shortcomings.

From a business point of view, the organizational structure has changed; the Netherlands and Homebase are separated. Homebase is the foundation on which the markets (NL, US, UK, DACH – Germany, Austria and Switzerland – and Beyond) are built. Our Supervisory Board has a new composition with 2 seats for the new shareholders. Choco Co-Captain Anne-Wil was absent for a long time due to a traffic accident, but she is back since 1<sup>st</sup> of October. We missed you! Same goes for our Impactus Prime Paul, who's beaten malaria not once, but twice last year, after a work trip to West Africa. Good to have you back!

We are looking forward to the new financial year. I can't tell you everything, but there will be such cool bars coming in January! We want to continue to grow internationally to be able to take steps on our roadmap to slave-free chocolate. We are going for profitability, especially the US and DACH and Tony's Bars (that's our Purchasing B.V.) will have to be able to carry the burden of Homebase in the long run. Next year should be a year in which after 2 years we can finally pay Team Tony's a 13<sup>th</sup> bonus month (tantième).

I'm really looking forward to it, are you in?

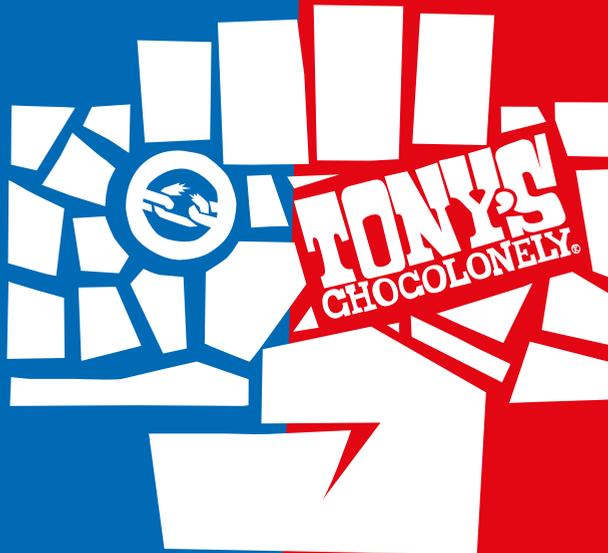
**Henk Jan Beltman**  
Chief Chocolate Officer  
Tony's Choclonely

**Derk-Jan (left),  
Henk Jan (middle)  
and Anne-Wil (right)**



chapter one:

# FIGHT for EQUALITY and FAIRNESS



# Hello there friend..

**At Tony's Chocolonely our mission is: together we'll make chocolate 100% slave-free. Not just our chocolate, all chocolate worldwide. We are an impact company that makes chocolate and we are changing the industry from within. Because, as you will read on the following pages, there are still a lot of things terribly wrong in the cocoa sector.**

**I**n this annual FAIR report, we will tell you about which issues we fight, what we managed to achieve and where we did not succeed yet. Because there is still a lot of work to be done to make all chocolate 100% slave-free. Everyone in the cocoa chain, all key players, must act. In this report, we will explain what needs to be done to tackle the inequalities in the chocolate industry, so we can all enjoy delicious chocolate without the bitter taste of injustice.

## **this was quite the year..**

The pandemic and the economic consequences of worldwide lockdowns have uncovered how much inequality there still is in this world, where many people have been badly affected financially and physically. All the while a few made enormous profits.

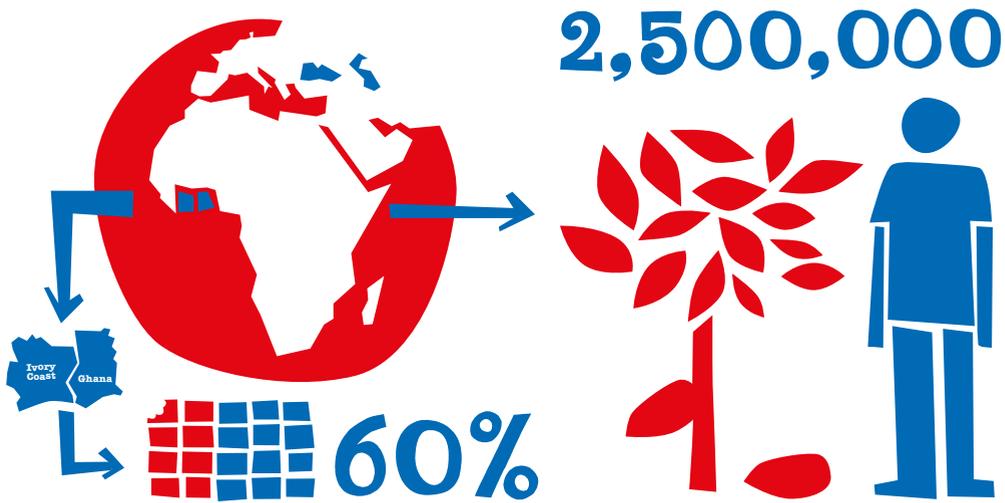
These unequal structures are created by businesses that prioritize profit over people's rights and the planet's wellbeing which results in poverty, generating wider gaps in our society. Black people worldwide continue to suffer under the oppressive weight of systemic racism. The rise of the Black Lives Matter Movement fills us with hope for a more equal future. We are moved by the many people that globally stand up to fight for equality.

It is this systemic injustice, especially the current rules of business, that Tony's has vowed to change. More specifically, we focus our efforts on the people working in the cocoa industry in West Africa and our mission.

The huge profits of Big Choco are the result of exploitation at the beginning of the cocoa supply chain, which traps people in extreme poverty.

The cocoa farmers in West Africa are paid far too little for their beans to be able to escape the vicious cycle of poverty. Desperate to make a living, many West African cocoa farmers resort to illegal and dangerous child labor or make use of unpaid, forced labor on their farms (Cocoa Barometer, 2018).

This has been known for decades and the industry is still nowhere near achieving the goals of the Harkin Engel Protocol (2001) to eradicate illegal child labor and modern slavery. After 20 years, the industry has failed to take responsibility and to implement progressive measures. Commitments to change remain voluntary with no repercussions if the objectives are not met. The numbers speak for themselves:



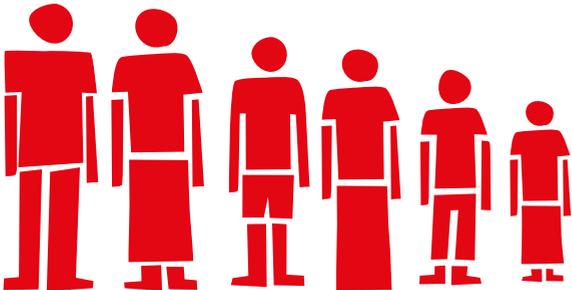
In 2 West African countries, Ghana and Ivory Coast, about 2.5 million cocoa farming families produce more than 60% of the world's cocoa (CocoaAction, WCf/Cacao Barometer, 2018).



1,560,000

In Ghana and Ivory Coast, 1.56 million children work under illegal conditions because their parents are unable to earn enough (NORC report, 2020).

Cocoa farmers receive \$ 1.37 per kg beans in Ivory Coast and \$ 1.52 in Ghana. These excessively low prices lead to a farmer income of only approximately \$ 0.78 per day (Cocoa Barometer 2018), which is way below



the extreme poverty line of \$ 1.90 per day (World Bank standard). This is why Tony's pays a Living Income Reference Price (LIRP) per kg beans of \$ 2.20 in Ivory Coast and \$ 2.10 in Ghana. This enables cocoa farmers to earn a living income, which is set at \$ 2.19 per person per day in Ghana and \$ 2.49 in Ivory Coast (Living Income Community of Practice, 2018).

# 30,000

Forced labor continues to be a severe problem in the cocoa industry. A study conducted in 2018 confirms that at least 30,000 people are victims of modern slavery in the cocoa industry in Ghana and Ivory Coast (Global Slavery Index, p.49). Adults and children are forced to work on cocoa farms without pay.

## **what is modern slavery?**

First of all, the concept contains the term ‘slavery’. Let’s dive into that. Slavery is a painful and dark chapter in world’s history. It involved an appalling declassification of human beings into objects that were traded, just like commodities such as sugar, cotton, salt, and cocoa. This form of slavery, called transatlantic slavery, was abolished in the 19<sup>th</sup> century, but we can still feel its deeply ingrained repercussions in society today. Persisting, systemic, and institutional racism is built on the same white supremacy that spurred transatlantic slavery and it continues to shape the world around us. While transatlantic slavery and modern slavery are not the same, both involve economic inequality, unjust and degrading treatment of human lives, as well as human exploitation. Any form of slavery is unacceptable.

We use the definitions provided by the International Labour Organization and the Global Slavery Index as guidance for what we mean by ‘modern slavery’.

So, what do we mean by modern slavery? Any form of forced labor or exploitation of adults or children (including the worst forms of illegal child labor outside the immediate family) which are not acceptable under any circumstances.

## **all forms of illegal child labor**

Children helping their parents out on their farms with light work after school is called ‘child work’ and that can actually be alright. Think of it like doing chores.

However, the work children in Ghana and Ivory Coast are doing isn’t ‘child work’. The work they are doing is illegal and it’s called ‘child labor’. Illegal child labor has different levels of severity. Working long hours or working during school hours, as well as dangerous working conditions, such as using a machete, spraying chemical pesticides or lifting heavy loads are all forms of illegal child labor. In total more than 1.56 million children are victims of illegal child labor and 95% of them are engaged in hazardous child labor (NORC report, 2020).

# WHAT IS ILLEGAL CHILD LABOR?



**5-13  
YEARS**

children below the minimum age specified for light work<sup>2</sup>



**14-15  
YEARS**

children within the age range specified for light work<sup>2</sup>



**16-17  
YEARS**

children at or above the minimum working age<sup>2</sup>

light work<sup>1</sup>

employment below the minimum age for light work

regular work<sup>3</sup>

employment below the average minimum working age

hazardous work

employment in industries and occupations designated as hazardous, or work for long hours and/or at night in industries and occupations not designated as hazardous

worst forms of illegal child labor other than hazardous work

children trafficked for work, forced and bonded illegal 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> Age-group limits may differ across countries depending upon the national level.

<sup>2</sup> Where applicable at the national level.

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

<sup>4</sup> Children in employment other than those covered in 1a, 2a and 2b.

## wasn't it 2.1 million kids?

Good spot! The numbers in the new NORC report are lower. While that seems like a good thing, it's a little more complicated. Turns out, previous reports gave different weightings to the population, leading to an overestimation. That's why NORC says it's best not to compare the numbers, but rather the rates of prevalence. And sadly, the new NORC figures do not imply any reduction in the prevalence rates of children in illegal child labor. Missing from the NORC numbers are the thousands of forced child labor and child trafficking victims.

Modern slavery and illegal child labor in the cocoa sector are driven by a variety of factors. First and foremost: the price paid for cocoa is far too low. Additionally, low yields and a lack of infrastructure prevent farmers from being able to earn a living income. Add to this vicious cycle the price instability of cocoa on the world market in combination with next-to-no bargaining power that farmers hold, and you can see how all of these aspects put farmers under immense pressure to sustain their livelihoods. This results in problems such as forced and illegal child labor.

Far too little has been done for too long. Profit maximization at the end of the supply chain leads to extreme poverty and the oppression of millions of adults and children at the beginning of the supply chain. Things need to change drastically. Chocolate companies need to stop ruthlessly profiting at the expense of cocoa farmers and need to take responsibility for their full supply chains.

So, what's the plan, Stan? We want to shake up the chocolate industry and change the norm. To achieve this goal, we need a strategic plan. So, we've built a roadmap towards lasting, positive impact in the chocolate sector. Because ultimately: we are an impact company that makes chocolate, not the other way around.



more about  
NORC report

chapter two:

**ONE  
TEAM,  
ONE  
MISSION**

## our roadmap consists of 3 pillars that will lead towards achieving our mission:

**To keep track of how we are doing, we've outlined goals and targets for each pillar. These so-called 'key performance indicators' help us track our progress and identify places where we can make improvements. To make sure everything is in good order, we ask the audit firm PwC to review all our performance indicators, as well as the text of this annual FAIR report, providing limited assurance.**

**T**his year we raised the bar and asked for assurance on the full text in this report, not just the numbers. Do you want to know what that means? Check out the PwC assurance report in appendix 5.

But that's not all. This report is also in compliance with the global standard for sustainability reporting: the GRI standards. The service was performed on the English version of this report. And we got a thumbs up. Hooraaaay!

This year, to take it up a notch, we also linked our KPIs to the Sustainable Development Goals. In our book, every business should be socially minded by default. Or else you're just a-social. Businesses have a duty to do more towards fixing the problems of the planet and its people. We are an impact company first and foremost, so all the SDGs are integrated in the work we do, directly or indirectly. But to stay focused, we've picked 6 that are core to our mission to make chocolate 100% slave-free.

This entire report is meant to be our impact story. We proudly present a snapshot of how everything we do is integrated and how things are connected. This shows how our KPIs link to our roadmap and the SDGs - how we create value in our entire supply chain - from bar to bean and everything in between, and beyond. Enter.. our value creation model.. because after all, a picture is worth a 1,000 words.

When working on this we realized that we need more KPIs in our 3<sup>rd</sup> pillar. So, we're working our beans off to make this happen in the coming season. Watch this space next year.

Furthermore, this year we don't want to show just our impact, but how we have progressed on our goals over the past few years.



**Choco Fans are aware of inequality in chain and spread the message**

**% of Choco Fans who are aware of the use of modern slavery on cocoa farms** 8 12

**Serious Friends change the industry**

**# of Serious Friends** 12

**farmers believe illegal labor is not acceptable and coops promote child rights**

**# participants of CLMRS awareness raising sessions conducted in cocoa communities of Tony's Open Chain partner cooperatives** 8

**serious farmers protect child rights**

**# of cocoa growing households who participate in CLMRS** 8

**everybody happy**

**# of farmers supplying to Tony's Open Chain who receive additional premium** 1 2 10  
**# average score Tony's employee Quest-cheer-naire** 1 2 8 10 12 13

**scalable impact in Tony's cocoa chain**

**% of cocoa in our chocolate traceable up to our partner cooperatives** 1 2 10  
**% of farms in the supply chain GPS mapped and assessed for deforestation risk** 2 13  
**# of coops with whom we have committed a 5-year MoU** 1 2 10

**Tony's remediates illegal labor**

**# of illegal child labor cases detected at Tony's Open Chain partner cooperatives with CLMRS** 1 2 10  
**\$ total amount of premium paid to farmers to reach Living Income Reference Price** 8

**successful business case**

**% CO<sub>2</sub> compensated** 13 plus  
**\$ all our financial indicators, like net profit**

**Choco Fans worldwide embrace our chocolate and mission**

**everybody's favorite chocolate**

**% of Choco Fans that indicates Tony's Chocolonely as their favourite chocolate brand** 12

**% market share** 12

**Tony's shows impact and shares lessons learned**

**mission allies leverage our impact**

**# tonnes cocoa sourced via Tony's Open Chain (excluding Tony's)** 1 2 8 10 12 13 17

**Tony's sets the serious agenda**

**key players take action**



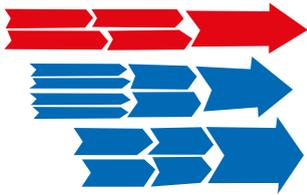
**TONY'S CREATES  
AWARENESS**



**TONY'S LEADS  
BY EXAMPLE**



**TONY'S INSPIRES  
TO ACT**



## Tony's creates awareness

Creating awareness is our 1<sup>st</sup> pillar; to be able to make change, everyone needs to be aware of what the problems are and what role they have to play in it. The stars of this pillar are, of course, the farmers who grow the cocoa we buy and our Choco Fans.

A key aspect of this pillar is raising awareness about illegal child labor in cocoa communities.. 29,576 participants attended community awareness raising sessions this year alone. So far since the start of CLMRS 55,422 participated in awareness activities.

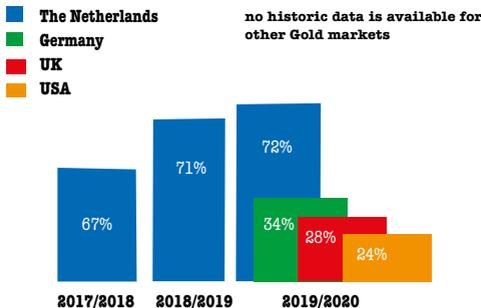
When Tony's Chocology started in 2005, not many people were even aware of the problems in the cocoa sector. Now more and more people worldwide are aware.. Our Dutch Choco Fans are most aware (72%) - not surprising because we started out as a Dutch company. Awareness that there is modern slavery and illegal child labor in the cocoa supply chain is still quite low in the US (24%), UK (28%) and Germany (34%). We'll continue to work on raising awareness about these issues..



Scan & go!

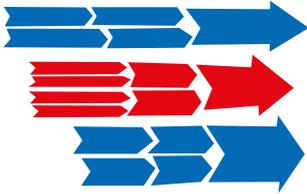
Our circle of friends is expanding; our Serious Friends tripled this year to 65,448 friends. Thank you! You have such an important role in helping us achieve our mission. So if we aren't already, let's be BFFs.

**KPI 1**  
% of Choco Fans who are aware of the existence of modern slavery on cocoa farms



**KPI 2**  
# of Serious Friends



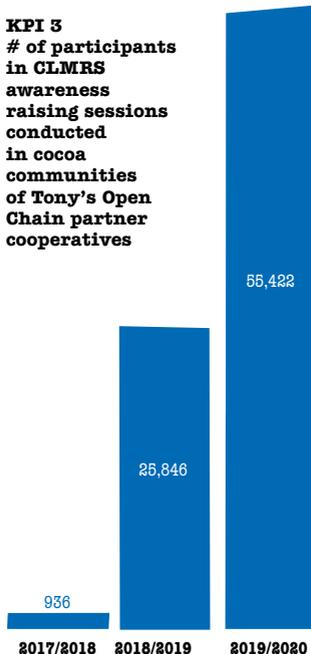


## Tony's leads by example

By showing that making chocolate can be done differently, we are proving to all other chocolate companies that there are no excuses. We are commercially very successful (as can be seen by looking at our sales numbers!) while maintaining traceability, paying a higher price, investing in long-term partnerships, GPS mapping all farms and achieving carbon neutrality.. it can be done!

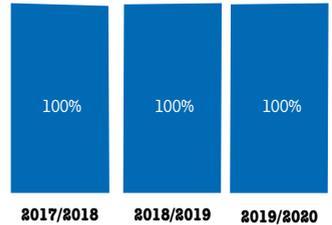
We had 8,457 farmers who delivered to us this year which is 21% more than last year – this means we are working towards getting more farmers out of poverty. Of these farmers, 2,215 farmers delivered to our mission ally as well.

**KPI 3**  
# of participants in CLMRS awareness raising sessions conducted in cocoa communities of Tony's Open Chain partner cooperatives

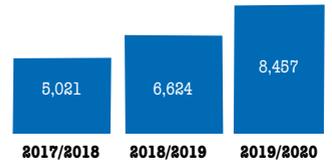


This KPI shows cumulative numbers.

**KPI 8**  
% of cocoa in our chocolate traceable up to our partner cooperatives

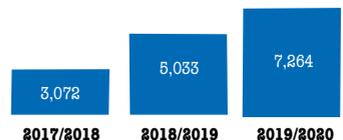


**KPI 4**  
# of farmers supplying to Tony's Open Chain who receive additional premium

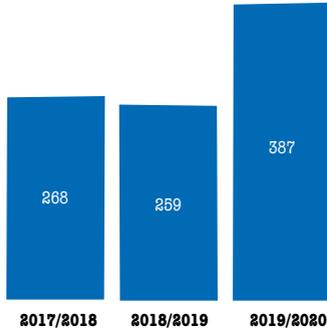


We're now into the 4<sup>th</sup> year of implementating the Child Labour Monitoring and Remediation System – also called the CLMRS. We have 32% more cocoa growing households who participate in the CLMRS, that's 7,264 households. All our partner cooperatives use CLMRS and by next year we will ensure that all their members participate. We found 387 cases of illegal child labor in our supply chain this year on top of the 471 open cases from last year that we were working to remediate.

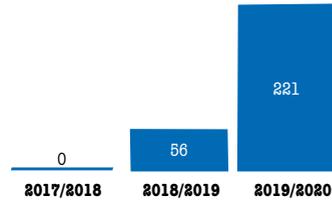
**KPI 10**  
# of cocoa growing households who participate in CLMRS



**KPI 11**  
**# of illegal child labor cases detected at Tony's partner cooperatives with CLMRS**

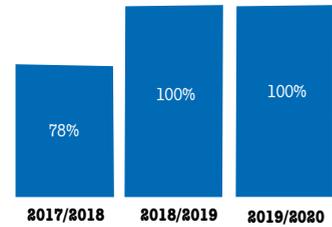


**KPI 11**  
**# of illegal child labor remediated at Tony's partner cooperatives with CLMRS**



We stepped up our remediation activities and remediated 4 times as many cases this year (221 cases) compared to last year (56 cases). We still have work to do there because all cases need to be remediated. Of the total number of children we know of in CLMRS, 5.0% are in illegal child labor. That's a reduction from 6.6% last year. This is because remediation of illegal child labor has increased to 33% this year compared to 11% last year.

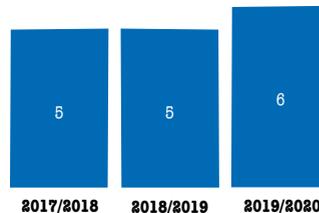
**KPI 12**  
**% carbon footprint compensated**



It is important that West African cocoa farmers and children know what illegal child labor is and that they know how to discuss this thorny issue. We need people to understand these issues with their hearts and souls.

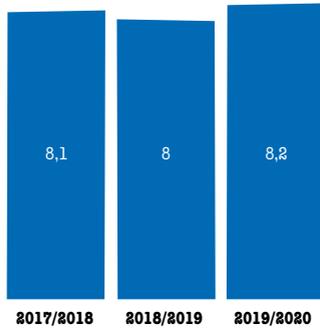
Our cocoa beans are still 100% traceable from the cooperatives we source from to the chocolate that we sell and we continue to offset 100% of our carbon emissions.

**KPI 5**  
**# of coops with whom we have committed a 5-year MoU**

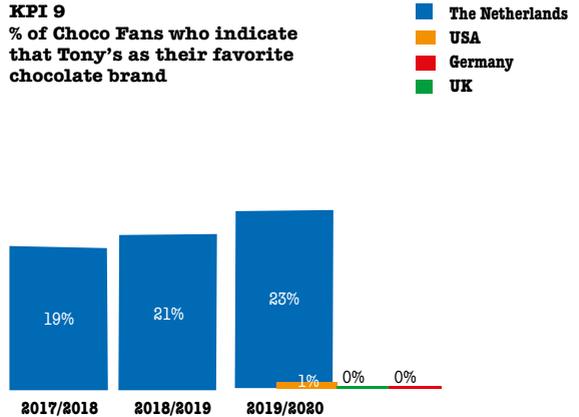


This year, we expanded the scope of some of our KPIs to include Tony's Open Chain – as more allies join us on our mission, it's important that they also track progress on these goals.

**KPI 6**  
Average score of Tony's  
Employee Quest-cheer-naire

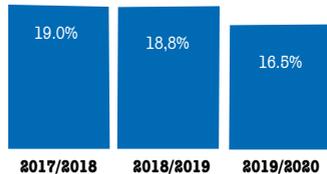


**KPI 9**  
% of Choco Fans who indicate  
that Tony's as their favorite  
chocolate brand



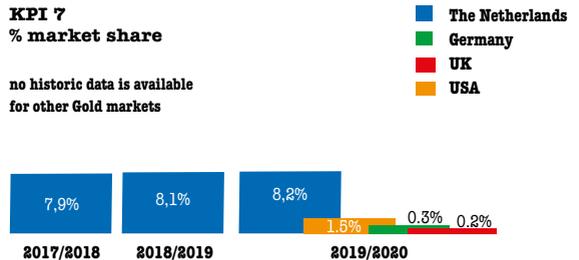
We expanded the scope of all our market share and awareness KPIs to include our Gold markets. Because we're 'grown-up' in the Netherlands, we now measure our market share in the whole chocolate category (8.2%) – not just chocolate bars (16.5%).

**KPI 7 chocolate bars NL**  
% market share



**KPI 7**  
% market share

no historic data is available  
for other Gold markets



Please note that you cannot compare the numbers between the markets due to methodological differences. For some technical information on this KPI and how to exactly read those percentages of KPI 7, go to the KPI appendix.

**KPI 14**

➔ **99%** farms GPS mapped and **100%** of these farms assessed against protected areas maps

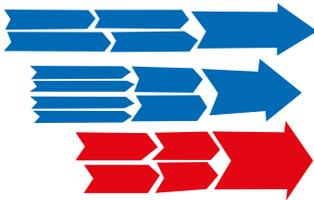
**KPI 15**

➔ # amount of premium paid to farmers to reach Living Income Reference Price **\$575** per metric ton in Ghana and **\$825** per metric ton in Ivory Coast

We added 2 KPIs this year to keep better track on progress on our 5 Sourcing Principles – 99% farms GPS mapped and all these mapped farms have been assessed against protected areas maps- because we don't want forests to be cut down for our chocolate. We have paid a premium since 2013 and we paid the Living Income Reference Price since last year. But it wasn't a non-financial KPI yet. We think it should be. We added the KPI for amount of premium paid per mt beans to reach the Living Income Reference Price. This year for our cocoa beans we paid \$ 575 per metric ton in Ghana and \$ 825 per metric ton in Ivory Coast, as premium to close the gap between the farmgate price and LIRP. More on this as you read on..



Chocolate company? Join Tony's Open Chain.



### Tony's inspires to act

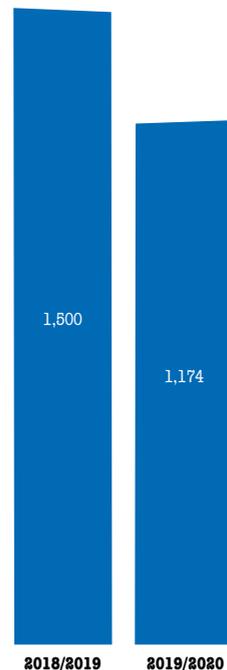
Only together can we make 100% slave free the norm in chocolate. As our Inspire to Actress Joke says, "we need more connections through confections."

This year Albert Heijn, a big Dutch supermarket chain, sourced a little lower amount of beans for their Delicata brand, but more on that in chapter 5. We also have a new mission ally on board, and we'll see their beans reflected in the numbers next year. As we said before, this pillar needs more KPIs to check on how we inspire not just chocolate companies, but also governments, towards reaching our mission. Next book year we will further raise the bar to develop a new set of KPIs to measure the impact we aim to make in this pillar. Ready, set, go!

We need to work together with other chocolate companies, retailers, governments, NGOs and scientific institutions because we can't change the chocolate industry alone. We have to work towards achieving our mission.

These 5 represent the key players in the chocolate industry. We believe that together, the key players have the strength and power to make change. Together we can make 100% slave free the norm in chocolate!

**KPI 13**  
# tonnes cocoa sourced via Tony's Open Chain





### **Team Tony's**

Our ambitious mission to change the cocoa industry requires a clear strategy, strong culture and a high achieving team. At Tony's we put our team first. But because of the Covid-19 pandemic, all our offices closed on Friday the 13<sup>th</sup> of March. Ain't that something? Team Tony's had to make the switch to working from home. Hellooo couch desk! Fortunately, our IT infrastructure was well prepared. We were able to move digital almost instantly.

We also held team catch ups and we were offered mental support by professional coaches. We came up with a Karma Wheel where our Tonys received gifts to keep them going and to keep the team connected, all while supporting local businesses, like a real stay at home restaurant diner or a Quarantony package.

Throughout this year, Team Tony's continued growing steadily from a Dutch company going global to a truly international business. Our organizational structure changed accordingly, starting with a shiny new Homebase team to serve all the international markets, which means that we now have a dedicated team for the Dutch market.

## OUTSPOKEN

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

## WILLFUL

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

## MAKES YOU SMILE

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

## ENTREPRENEURIAL

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

**It is essential to keep nurturing and strengthening our culture. So, this year we took a closer look at our 4 core values and how they reflect in everything we do.**

### how Tony's Chocolony is run

To emphasize an operational focus and minimize coordination inefficiencies, we've organized our work into a 'functional head structure'. In this structure, each functional head is solely responsible for their function and doesn't have any cross-functional responsibilities.

Our Choco Chiefs in charge are Henk Jan, Chief Chocolate Officer; Anne-Wil, Choco Co-Captain; and Derk-Jan, King Pin. The Choco Chiefs are listed as company directors of Tony's Factory BV in the Trade Registry of the Chamber of Commerce.

The Heads are Frans (Bean to Bartender, Operations), who even managed to take on a Chief's role whilst Choco Co-Captain Anne-Wil was recovering from a traffic accident, Paul (Impactus Prime, Impact), Kristel (Queen Dream Team, People & Culture, who left us at the end of the book year, boohoo), Jan (Manager of Means, Finance), Thecla (Marketing Magic Maker) and Marijn (Choco Accelerator, BI and IT).

The Gold market teams are led by Country Managers Melissa (NL), Frits (US), Niki (DACH) and Ben (UK & Ireland).

Altogether, the Choco Chiefs, Heads and Country Managers form the management team of Tony's. The Choco Chiefs are ultimately responsible, and the Heads and Country Managers are responsible for running the day-to-day activities.

### **all aboard, the supervisory board**

- ➔ Our non-executive Supervisory Board consists of 5 members:
  - ➔ Erik Bras, chairman, currently CEO of Signature Foods and general manager at
  - ➔ Johma, focus area: commerce.
  - ➔ Willemijn Verloop, partner and co-founder of Rubio Impact Ventures, co-founder of Social Enterprise NL, focus area: social impact.
  - ➔ Robert Schuman, co-founder and partner of Nielen Schuman, focus area: finance and legal.
  - ➔ Ben Black, Principal at Verlinvest, the strategic investor in Tony's.
  - ➔ Adam Balon, co-founder of innocent drinks and co-founder of JamJar, the other strategic investor in Tony's.

We said goodbye to Peer Swinkels and Erik Cornelissen.

Thank you for your time with us!

### **let's give it up for the High Five**

Tony's has a works council in the Netherlands. We call this the High Five. Members are chosen by Team Tony's and put in function for 2 years, after which they may be re-elected. This book year was the 2<sup>nd</sup> year for Tony's with a High Five in place and it has been an exciting one. The High Five started off with welcoming 2 new members: Carlijn and Henk. Many different topics like our bike plan (tring, tring) and severance pay policy have been discussed in collab with our Board and People & Culture team.



**High Five!**

# 95

with a permanent contract



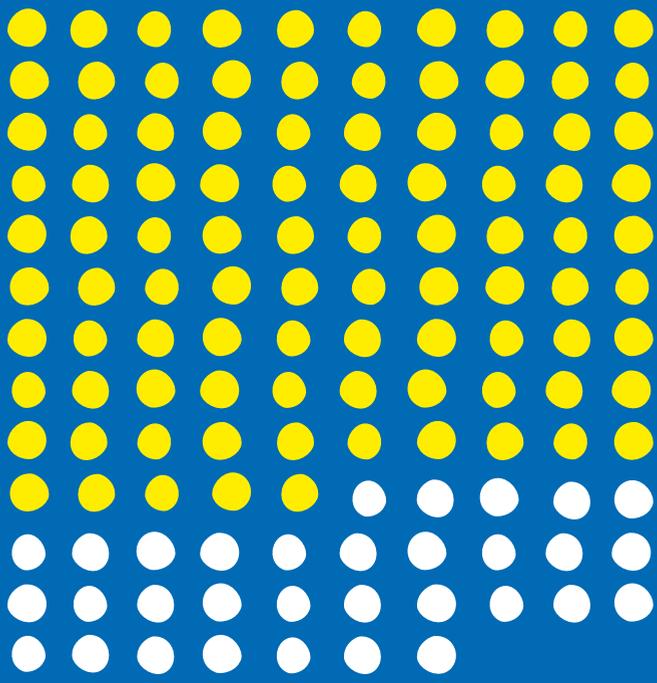
56.8% women  
44.2% men

# 32

with a temporary contract



59.4% women  
40.6% men



73 **HB** + 26 

at Homebase

at Team NL

13  + 7  

at Team USA

at Team UK

4    + 3 

at Team DACH

at Team Beyond

28  + 7  + 1 

at Tony's stores

at the Chocolate Bar

Tony's Chocolonely Chocolate Circus

17 employed through other contracts (freelancers + interns)

there are  
**= 179** Tony's worldwide

127 Tony's with permanent and temporary contracts + 52 Superstars at the Bar and Stores

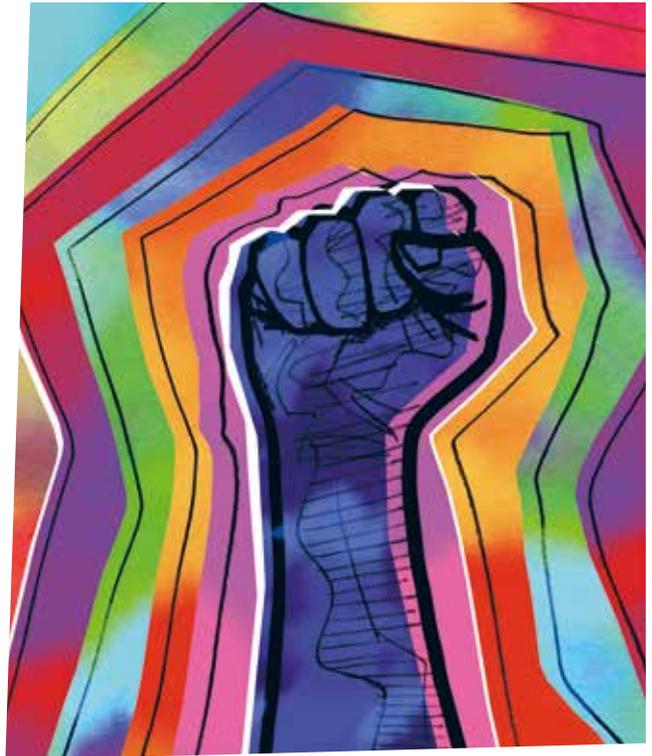
## being anti-racist

As a company, we're founded to fight injustice and inequality in the cocoa industry. So, when we witnessed the Black Lives Matter protests in the USA and worldwide, we were very moved by this and felt the urgency to act. We were looking for ways to support this movement, but also are looking critically at ourselves to understand what we can do better. We are still in the middle of this process, which should be an ongoing process. We are looking at how we can make our team more diverse, how to make sure our culture is inclusive, and how we can all be aware of our own biases. This book year made us aware that we have to prioritize making Team Tony's more diverse and inclusive. This also goes for our leadership team, which is currently all white. Some of the first steps we've taken are hosting awareness sessions about social inequality and encouraging our team to educate themselves about being anti-racist, how to become an ally and on how to tackle unconscious biases. We are implementing this as an ongoing strategy in our recruitment processes and diversity strategy. The other big element is our engagement with our partners (we call them extended Tony's) in West Africa, and the awareness of potential neo-colonial aspects of our relationship and collaboration. As of this book year our extended Tony's are part of the onboarding program and they are a substantial part of the team.

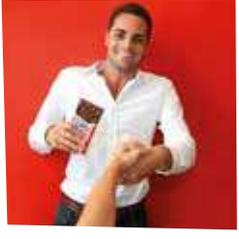
In our bi-annual culture questionnaire: our Quest-CHEER-naire, we ask Team Tony's what's going well and where we can still improve by asking them to give a rating. The annual average ratings make us blush: a solid 8.2 which is our highest score ever (compared to 8 last year and 8.1 2 years before)!

Tony's are highly involved with our mission, trust each other a lot and are very happy with our culture. Although we are moving in the right direction, it's not all sunshine and rainbows. Job engagement is under pressure and not everybody feels heard.

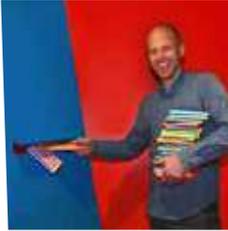
**As a company that fights against modern slavery and illegal child labor, we've chosen to make days that celebrate abolishment of transatlantic slavery paid Holidays at Tony's. Juneteenth in US (19<sup>th</sup> of June), Keti Koti (1<sup>st</sup> of July) for The Netherlands and Germany, and International Day for the Remembrance of the Slave Trade and its Abolition (23<sup>rd</sup> of August) in the UK.**



**THIS IS  
TEAM TONY'S**







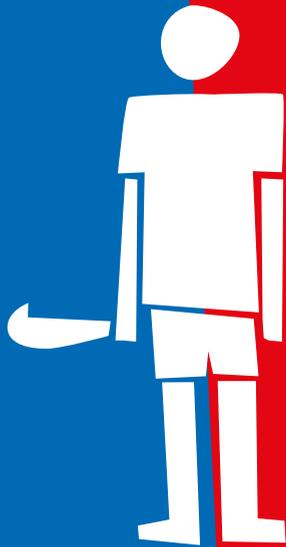


Unfortunately, due to Covid-19, not all Tony's yet received their Tony's mug shot. In the new book year we will go ahead with all the Chocooto shoots. Did anyone say choco cheese?

**chapter three:**

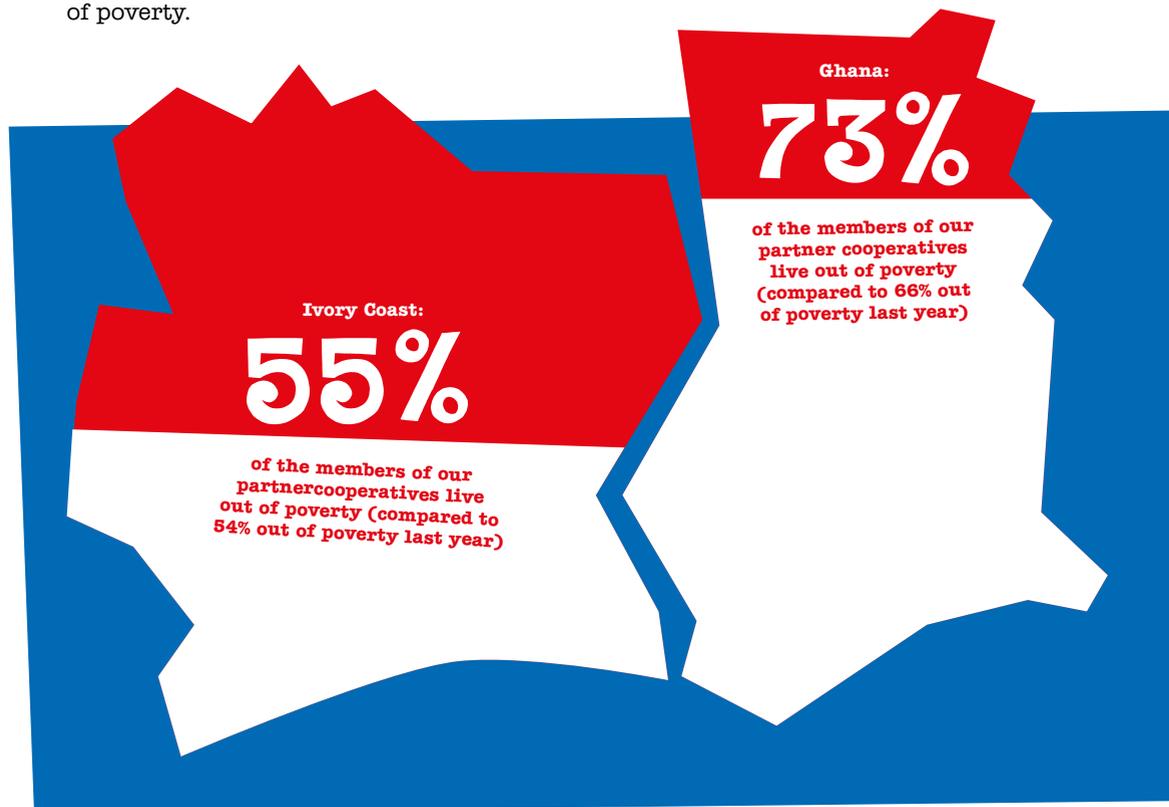
# **SERIOUS ABOUT FARMERS**

**equality in business  
relationships and real  
commitment**



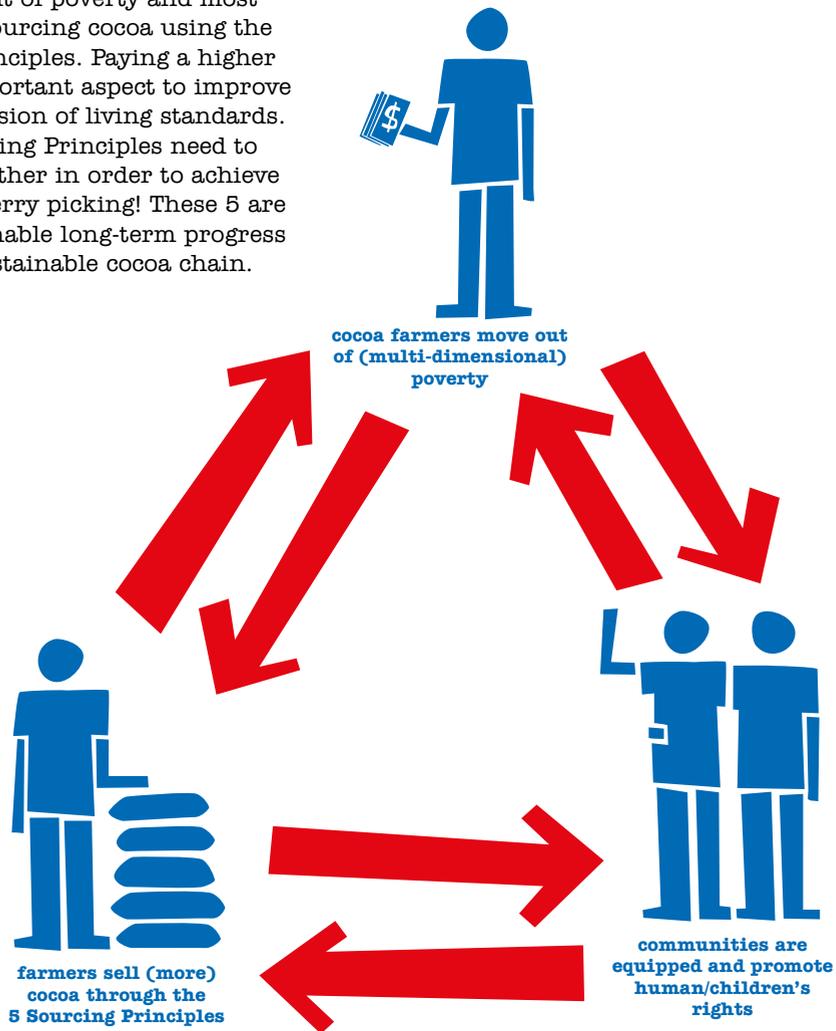
**The cocoa value chain is unequally divided. This is the reason why many smallholder cocoa farmers live in poverty – which is the root cause of several of the issues in the cocoa sector. Poverty is often thought of as a lack of money. Poverty is often thought of as ‘lack of money’ but it is far more complex than that. For a person living in poverty, the issue is not limited to low or no income. It is also lack of access to basic needs and services like clean water, electricity, schooling and healthcare.**

**T**o understand the problem more holistically, last year we started measuring the Multidimensional Poverty Index (MPI) of the cocoa communities we work with. The MPI looks broadly at 10 indicators under 3 dimensions of poverty – health, education and living standards. This helps us to see how many farmers are out of poverty and also how to get the rest out. Why is this important? We use MPI as a tool to track system change. Any Sweet Solution we propose to create equality in the cocoa sector also needs to address all these facets of poverty.



In our opinion, we can only solve poverty structurally if all 5 key players take their responsibility. But in the structural solution we fight for, it is important that the right key players take the right action. So, we fight multi-dimensional poverty on a broader level in addition to the implementation of our 5 Sourcing Principles.

So, we got the data from the MPI. What did we do with it? We worked together with the cooperatives to assess which additional projects are needed to get more people out of poverty and most important is sourcing cocoa using the 5 Sourcing Principles. Paying a higher price is an important aspect to improve the MPI dimension of living standards. But all 5 Sourcing Principles need to be applied together in order to achieve change. No cherry picking! These 5 are necessary to enable long-term progress and a more sustainable cocoa chain.



We believe that once you know where your beans come from and under what circumstances they were harvested you can tackle the issues and take responsibility. The Beantracker digitally logs where the beans are at any moment in time, so we can see which cooperative has supplied which amount of cocoa. In total, 6,711 metric tonnes of cocoa beans flowed through Beantracker in 19/20. This season the Beantracker took a big step; now it also registers – in the cloud, not manually any longer – individual farmer-level bean deliveries to Tony’s and our mission allies! This helps us and the cooperatives to double-check if farmers deliver the right amount of beans for their plantations’ capacity.. It keeps us, and our partners, on our toes.



### TRACEABLE COCOA BEANS

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



### A HIGHER PRICE

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



### STRONG FARMERS

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



### THE LONG-TERM

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



### IMPROVED QUALITY AND PRODUCTIVITY

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

## till beans do us part..

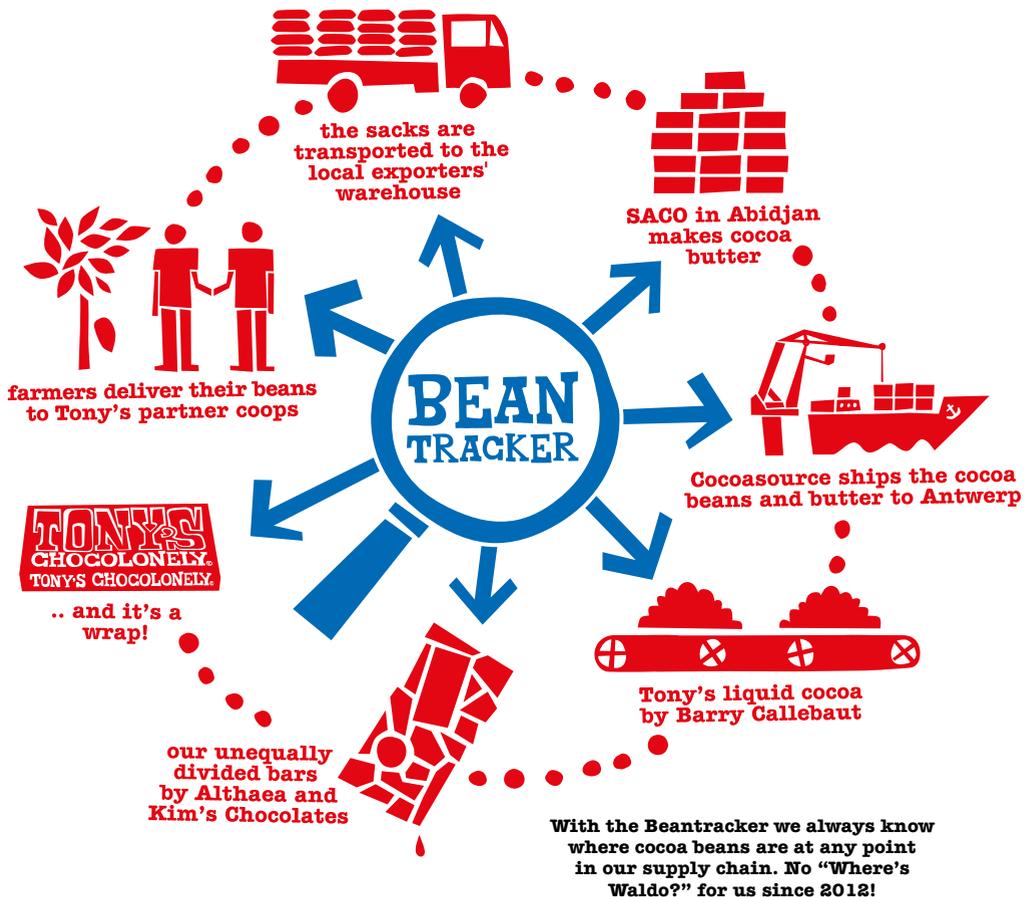
..and were we on our toes when some issues came up recently.. Sad to say, but it is true: we are on a break with our partner cooperative Socoopacdi. We had to put our Memorandum of Understanding with Socoopacdi on hold. Why? Through the data on farmer deliveries on Beantracker, and the data cross-checks with the GPS mapping, some alarm bells went off. We saw that some of the data was manipulated: exaggerated farm sizes and excess bean deliveries. What does this mean? Higher volumes were allocated to farmers. Of course, this is not okay for us, because we want to take responsibility for the farmers and their well-being in our entire supply chain. Meanwhile, the irregularities were also confirmed during the Rainforest Alliance/UTZ audit and they suspended the cooperative's certification. Socoopacdi is our business partner in jointly taking responsibility for the circumstances all beans are produced in. The scale of these irregularities broke our trust.

## 100% traceable cocoa beans

Therefore, we decided to not buy any beans from them in the upcoming season (20/21) and we've suspended farmer coaching. We've had long, open discussions with them and have decided to keep working together together to solve these issues. Plus, we maintain our support for CLMRS and the Beantracker. Like any relationship: through thick and thin.

Of course, we will do further research and determine follow-up action if needed. We also looked into the data of all our other partner cooperatives. While we value trust as the basis of our partnership, we want to ensure that we are 100% transparent. We didn't find any structural issues, only smaller administrative – isolated – errors.

Of all the KPIs, it affected our KPI on number of MoUs signed. We haven't been able to reach the lucky number 7, yet. 2 steps forward, 1 step back – we now have MoUs with our 2 new cooperatives Asunafo and Asetenapa, but with the Socoopacdi's MoU in the freezer now, we are at 6..



Tony's beans are 100% traceable from the cooperatives we source from to the chocolate we sell. Since tracing starts at the cooperative and beans actually come from Socoopacdi, the irregularities do not affect our 100% traceability. With GPS mapping we increased our insights on traceability of the 1<sup>st</sup> mile, from farm gate to cooperative, which will help us get better grip.

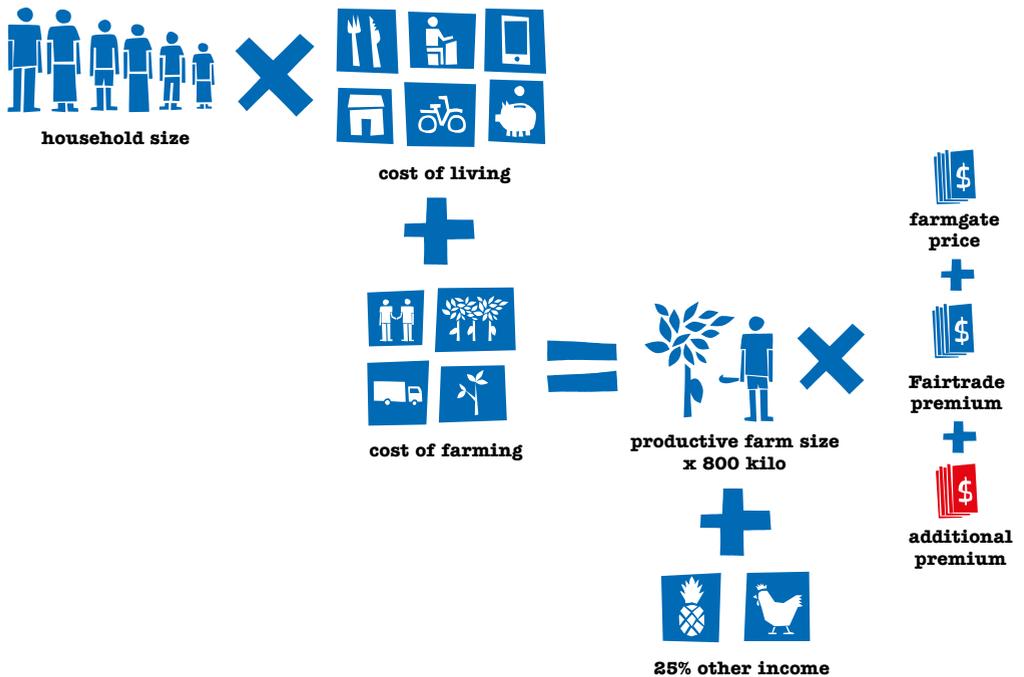
### a higher price

Paying a higher price for cocoa is crucial to fight the structural poverty that cocoa farmers experience. Therefore, together with Fairtrade and based on cutting-edge industry research, we have developed a model for calculating the cocoa price that enables farmers to earn a living income. The Living Income Reference Price (LIRP) takes many factors into consideration that are based on industry-accepted standards (Living Income Community of Practice).

We have made the model available for others to follow the example to set in paying a higher price. We call upon all chocolate companies, make a living income the norm in cocoa!

Another new factor in the model is the Living Income Differential (LID). The governments of both Ghana and Ivory Coast have joined forces to increase the price of cocoa and although it's still not enough for a living income by our calculations, it's an important step in the right direction. (Psst.. More on the LID in chapter 5.)

### Living Income Model



Our Living Income Model calculates the Living Income Reference Price for cocoa in Ghana and Ivory Coast. In Ghana a farmer should receive \$ 2.10 per kg cocoa and in Ivory Coast \$ 2.20.

	Ivory Coast	Ghana
 <p>family size</p>	8	6
 <p>cost of living</p>	\$ 2.49	\$ 2.16
 <p>business costs</p>	\$ 2,216	\$ 1,062
 <p>(net) farm size</p>	4.4 ha	2.74 ha
 <p>productivity target</p>	800 metric tonnes	800 metric tonnes
 <p>income from other activities</p>	\$ 1,745	\$ 1,183
 <p>Living Income Reference Price (per kg)</p>	\$ 2.20	\$ 2.10

## strong farmers

The cooperatives organize annual general meetings (AGMs), where the members meet to democratically decide how to spend premiums and to celebrate the end of the season. This year all the cooperatives demonstrated strong and responsible leadership, following Covid-19 regulations issued by Fairtrade. First, they organized mini-AGMs to involve all farmers. This means that farmer voices were heard, and necessary health and safety precautions were met.. Way to go cooperatives!

## the long-term

Having a long-term client gives the cooperatives and farmers the opportunity to make long-term investments. Why? Because normally cocoa farmers sell their beans per season and there's no guarantee that they'll all be bought. With Tony's long-term agreements they have us as guaranteed long-term business partners and know that their beans will be bought at a fair price.

We are proud to announce that after a successful one-year trial period, this cocoa season we entered into a 5-year cooperation with 2 new cooperatives in Ghana: Asetenapa and Asunafo. We chose these 2 because both demonstrated to be highly motivated to create a more equal cocoa supply chain. Asetenapa is a break-away section of a coop we used to work with: Suhum Union. We kept in touch and now built on the already existing good relationship to support them in building an awesome coop from scratch. Asunafo was also keen to work with us, they already have experience with other chocolate companies, and they have a passionate and dedicated team with a young and dynamic manager (go Patrick!) and a lot of great ideas.

ABOCFA is able to sell more and more organic-certified beans to other clients, as they become increasingly 5-Sourcing Principles-savvy, which makes us very



**AGM at ECAM: matching shirts and facemasks during the presentation of the Best Farmer Award.**



**AGM at Asunafo: Hygiene precautions are taken seriously.**



**A farmer from Ecojad who built a house using the premium.**



very proud. This means we need more beans, also because we keep on growing and selling more and more chocolate (yay Choco Fans!) More beans means more impact and in total, there are now 6 cooperatives with whom we have signed a 5-year contract.

For the 2<sup>nd</sup> year we will be working with the local exporter in Ghana, Cocoa Merchants Ghana Limited (CML). In Ivory Coast the exporters are Ecookim and Ocean. We've worked with both for over 5 years already, isn't that a loooooong time? We like to have such reliable and long-term business partners on the ground in West Africa.

### **quality and productivity**

Climate change has a huge impact on the areas where cocoa grows. Changes in weather, but also deforestation due to the extension of farmland plays a key role. When farmers look to increase their yields, one easy way is to expand the land, but a better option is to increase the productivity of their existing farmland. This is why we have started farmer coaching.

This initiative focuses on creating individual farm plans which give a detailed overview of how to professionalize, and therefore a tailored solution on how to improve the overall yield of a specific farm (cocoa, but also other crops, like avocados). This can, for example, mean the planting of new and younger cocoa trees, or a more spaced-out planting structure to give each cocoa tree enough room and light to grow. The correct way of pruning can also massively increase the number of cocoa pods growing from a single tree.

All our partner cooperatives are now GPS mapped, which is great progress on traceability, way to go! Almost all the farms have been mapped (99%) – Just a few

more to go and we'll be at 100%. Also, all mapping data has been assessed against forest maps, this means we know with certainty that none of the farms where our cocoa comes from are in protected areas, so no further deforestation is happening because of our cocoa sourcing. And have you heard of tiny tree nurseries? We have expanded shade tree nurseries which will give shade to the cocoa trees, help farmers move towards a more environmentally friendly agroforestry-based farming approach, and provide the farmers with additional crops and income. We will let you in on a little secret: the nursery workers sing to the trees because we heard it makes the little trees grow big and strong ;)

### children's rights

It takes a lot of trust to openly talk about instances of child labor, so the more confidence we manage to build, the more cases we can identify and remediate. We can proudly say that we are moving from a culture of fear to a culture of trust.

What does that mean? We're switching from speaking about illegal child labor to talking about children's rights and all the great things there are about being a child! Playing with your friends, going to school and learning things, you get the picture.. Together with the members of the cocoa communities, we can therefore now talk about why children shouldn't work in a positive and encouraging way. This change in view and mindset is super important for us and the cocoa communities to make sure all cases of illegal child labor are found and remediated, as well as to create an environment to prevent child labor once and for all!



**This is how we set up the Child Labour Monitoring and Remediation System with ICI and the cooperatives. It includes various steps to find and remediate illegal child labor in cocoa communities.**

One way to achieve this switch is with the Tony's Ambassadors located in Ghana and Ivory Coast. Those 140 ambassadors are former mayors, farmers, teachers or entrepreneurs who inspire the communities and to openly talk about what needs to change. They often join the community household awareness raising sessions to motivate parents and children and to celebrate successes.

Also, the cooperatives now have full ownership of the CLMRS and see the added value of it. That's neat, but what's even cooler is that they also started using it as a selling point when other companies approach them to buy their beans!

We cannot claim to find all cases of illegal child labor, because not all households are yet part of the CLMRS. In addition, there is an unavoidable risk that the CLMRS does not find all cases of illegal child labor. This is because the community facilitators are not always able to visit all households and sometimes aren't able to find cases of illegal child labor during their visits.

Among the most common dangerous and illegal activities that children had to do were using machetes, carrying heavy loads, and working without adequate protection. To remediate illegal child labor cases in our supply chain, we, together with the cooperatives, have triggered various actions for individual cases – organizing certificates (so kids can go to school), issuing health insurances, providing bicycles for cycling to school and building schools that are closer by. Remediation is a challenging long-term process and although we are making progress by having remediated in total 221 cases, up from 56 cases remediated last year. To further speed up remediation, we are closely working together with the cooperatives, as well as Fairtrade and ICI. The 2 joined forces and agreed to share insights on remediation methods with each other!

The solutions at community level are the ones that really help in creating an environment that combats poverty and therefore also prevents illegal child labor. That's because those measures go beyond the individual child and structurally look at how to find broader solutions in the cocoa communities in the first place.

Strong communities with good infrastructure provide the basis for members of cocoa communities to move out of poverty. The community development plans created by the cooperatives give us an idea what needs to be done on a broader level to fight multi-dimensional poverty in addition to the implementation of our 5 Sourcing Principles. However, as we source from 6 different cooperatives, there are a lot of different communities involved that have different needs and require different projects. The main focus area in those plans for this year evolved around education.

### **spread the word, not the virus**

A decline in cocoa prices and a lack of access to market, plus a decline in possibilities to harvest due to illness could lead to a major reduction of cocoa household incomes. For the cocoa farmers, the Corona virus is a serious threat, especially in rural areas. In our cocoa communities, access to healthcare is not always a given – our MPI study shows that adequate care was inaccessible for 1 out of 10 farmers in Ghana & Ivory Coast. Also, social distancing is even harder when you live in a small house with your extended family and share a water point with your whole community.

So, what's the status?

# 387

cases of illegal child labor that we've found in the past year.

Most common dangerous work on cocoa plantations:



In Ghana & Ivory Coast, all children without a birth certificate are traced in the cocoa communities that supply to us. These are all risk cases, because they are officially nonexistent and may end up in unsafe situations.

use of a machete for weeding

# 161

children received a birth certificate.

# 296

health insurance policies - so children can receive health care when they are sick.

# 265

school kits distributed to teenagers who are no longer attending school, but who are obliged to attend school.

# 34

bicycles for cycling to school (instead of having to take a long walk).

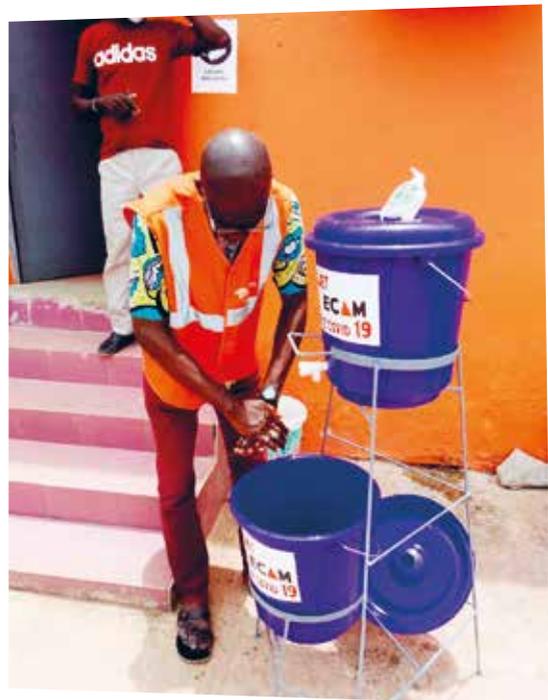
Even though farmers themselves contribute 3.9% (€ 238,750) of their premium towards community projects, they need additional community support. So, these community development projects are supported via the Chocoloney Foundation.

**The president and the manager of ABOCFA (do you recognize Stephen?) with the soaps, water buckets, and posters they received.**



Some CLMRS activities were put on hold, due to movement restrictions, and because we wanted to make sure everyone stayed safe and healthy. We also saw a slight delay in the implementation of CLMRS at our 2 new partner cooperatives, but now the system is fully up and running.

We aligned with Fairtrade to give farmers a part of their premium in advance, to make sure they had enough cash during these difficult times. On top of that, we got in touch with the cooperatives and asked what they needed – the value of a good and direct relationship really goes to show here! Together we facilitated the distribution of roughly 14,000 soaps, more than 3,000 hand sanitizers and 420 water buckets. By putting up posters with health advisories and handing out leaflets and locally made soaps, we promoted and supported preventive measures. We also leveraged the network of community facilitators and Tony’s ambassadors to raise awareness about the virus.



**A Tony’s ambassador using the water buckets installed at the cooperative ECAM.**



### **Fairtrade**

We have been Fairtrade-certified since day 1. And proudly so. We're working with Fairtrade to help cocoa farmers strengthen their position in the supply chain.



### **SCOPEinsight**

SCOPEinsight analyses the organizational performance of the cooperatives we work with. Fairtrade organizes a personalized training program based on the results.



### **Soil & More**

Soil&More consults on soil and future crop production risks linked to a changing climate. After 3 years of working together and learning loads about the ins and outs of running a farm (composting for the win!), we say goodbye and thank you for all the useful insights.



### **ICI**

The International Cocoa Initiative aims to safeguard child rights and to contribute to the elimination of child labor through the development, innovation, application and promotion of good practices, as well as the CLMRS.

# CHOCOLONELY foundation

**The Chocolonely Foundation does not only share part of its name with Tony's, but also its mission: a 100% slave-free chocolate industry. This is why we include its work and achievements in this report. The Foundation is an autonomous organization with an independent board that makes its own decisions.**



Recently a new member joined the board, and she knows the cocoa sector like the back of her hand: Anna Laven. Anna works for the Royal Tropical Institute in Amsterdam and one of her areas of expertise is sustainable cocoa. Great to have you on board to share your knowledge, Anna!

On the way to 100% slave-free chocolate, the Foundation supports projects that lie outside Tony's direct cocoa supply chain. It focuses on funding activities that look more broadly at the context cocoa farmers

and their families live in. The Foundation is funded primarily by Tony's Chocolonely, which donates 1% of its turnover to projects and initiatives supported by the Foundation.

This year the total amount spent on the 19 running projects amounted to € 1,122,885.

## **stronger communities: education**

In this pillar, the Foundation concentrates on activities within the cocoa communities to foster strength and empowerment. Access to and the quality of education play a huge role and it was also the focus of the community development projects in the Tony's communities. This is why 6 schools were newly built, 2 schools and a school canteen were refurbished, and a school library was created with funding of about € 445,000.

The Chocolonely Foundation is immensely proud that a pilot study in cooperation with Teaching at the Right Level and Pratham in Ivory Coast last year lead to a nation-wide initiative to provide a good start in life and quality education for all children. Together with the Jacobs

Foundation, Barry Callebaut and actually many of the Big Choco (Nestle, Mars, Mondelez – you name it!) 2 programs are being set up: The Child Learning and Education Facility (CLEF) and the Early Learning and Nutrition Facility (ELAN). CLEF plans to reach 5 million children and 10 million parents in cocoa growing areas with access to quality primary education. ELAN aims to reach 1.3 million children below the age of 5 and their caregivers, providing training in early childhood development and nutrition.

© World Press Photo



**The 3 Fellows of the West Africa Visual Journalism Fellowship: (left to right) Ofoe Amegavie (Ghana), Dadi (Côte d'Ivoire), Adrien Bitibaly (Burkina Faso)**

© Ofoe Amegavie



**Coastal Erosion in Ada - Ghana**

© Dadi



**The power of alliances of the N'zima people of Grand-Bassam, Côte d'Ivoire**

## ➔ **create awareness: pictures please!**

Creating awareness can be done in many different ways. One of the projects of this pillar is a collaboration with World Press Photo. There were 3 'West Africa Visual Journalism Fellowships' awarded: Ofoe from Ghana, Adrien from Burkina Faso and Aka Aboubakhr (although he prefers to be called Dadi) from Ivory Coast. These 3 creatives have drawn up proposals to address the global theme of inequality in their own way. While corona-related measures delayed the field work a little, they recently shared their first results. Pretty awesome!

## ➔ **inspire to act: research & lobbying**

To convince governments to change the cocoa sector collectively with other companies, solid and independent data is needed. Therefore, research is a meaningful aspect of the Foundation's focus. The Südwind Institute in Germany is an incredibly important partner in collecting and publishing reliable data about the cocoa sector. Südwind also contributes a lot to shaping human rights legislation in both Germany and Europe. Its goal is to get companies to take responsibility for human rights within their supply chains by initiating roundtable discussions and pushing the sector to join in the dialogue.

You can find out more about the work of the Chocolonely Foundation and see its financial reports here.



↑ Scan & go!

**chapter four:**

# **BIG CHOCO**

**take responsibility for  
your entire supply chain**



**The power in the chocolate industry is unequally divided over the supply chain. There are millions of cocoa farmers at the beginning of the chain and billions of chocolate consumers at the end of it. In between are a handful of cocoa processors and chocolate manufacturers that control approximately 70% of the world cocoa market. We call these few multinational companies 'Big Choco' and as key players; we believe they hold the key to really change the chocolate industry at large.**

**T**ony's big bars are the number 2 selling chocolate bars in the Netherlands, so we can count ourselves as quite significant there. However, the Dutch market is just one (a pretty small one..) out of many countries in the world where chocolate bars are sold, so in the grand scheme of things we are not a Big Choco, yet..

While we might still have some global growing to do, Big Choco has some growing up to do. What is needed is the implementation of all 5 Sourcing Principles in the entire chocolate industry. A lot of Big Choco have sustainability programs to support cocoa farmers in some way, which shows that the chocolate sector is, to some degree, aware of the issues. However, their programs and initiatives do not cover their entire supply chain. Donating to foundations, funding selective projects, as well as voluntary certification in the supply chain is a 1<sup>st</sup> step, but we believe it's far from enough.

**A move away from charity-based approach towards a human rights-based approach is necessary to achieve sustainable and long-term change in cocoa communities.**

There are a lot of ambitious aims and encouraging objectives for improving the cocoa sector which shows that Big Choco knows that business as usual cannot continue. But after 20 years, the lack of real, impactful results is painful. That's why we call on Big Choco and the entire industry to take the next logical step and apply their efforts to all the farmers they buy cocoa from and start solving the issues. We are leading by example, we prove that it can be done, it's time for Big Choco to put their money where their mouths are and make real, structural change. Big Choco, are you finally ready to step up your game?

### **Tony's Open Chain**

The 5,537 metric tonnes of cocoa beans that Tony's sourced this year, even though a slight increase since last year's 5,465 metric tonnes, is not a sufficient volume to change the system. In order to maximize our impact on the ground and lead by example in the cocoa industry, Tony's founded Tony's Open Chain. Tony's Open Chain is an initiative to invite other chocolate companies to change the norm in the chocolate industry by amplifying our impact on the ground through collaboration on sourcing via the 5 Sourcing Principles. That's why we are still looking for new mission allies. Because only together we can achieve our mission and eradicate illegal child labor, modern slavery, deforestation, and poverty.

Our 1<sup>st</sup> mission ally (2019) was Dutch retailer Albert Heijn with their Delicata chocolate bars. This season Albert Heijn sourced 1,174 metric tonnes of cocoa which is a slight decrease compared to the 1,500 metric tonnes they sourced last year. But that's only because they had pending stock of Tony's Open Chain beans left over from last year. We're working together with Albert Heijn to also source Delicata's cocoa butter through Tony's Open Chain. Go, mission ally! We hope to see this in next years numbers.

This book year we are talking cocoa business with Aldi who will join us in our mission as a new mission ally for next book year. Sweet!



Signing them on as a new mission ally happened a few days after the closing of this book year, so it isn't officially part of this annual report, but we are thrilled to welcome Aldi as a new mission ally. We are excited for them to start sourcing cocoa via Tony's Open Chain this upcoming book year. Stay tuned..

This year we've figured out exactly what makes Tony's Open Chain unique and how to turn our great ideas into an even greater reality. We've decided that our aim should be to make it as easy as possible for chocolate brands to assume responsibility of sustainability issues within their cocoa supply chain. Everything we build in Tony's Open Chain should focus on keeping the model credible, making it scalable and replicable.

To further professionalize, we've added non-financial KPIs which now include Tony's Open Chain as well. Each of the 5 Sourcing Principles has its own KPI – as can be read in appendix 1 – to measure the impact and we provide all the tools to implement all 5 Sourcing Principles. On top of that, we support mission allies by offering change management and planning guidance, as well as easy-made impact storytelling through the direct relationships with farmers and shared

**Join Tony's Open Chain  
Scan & go!**



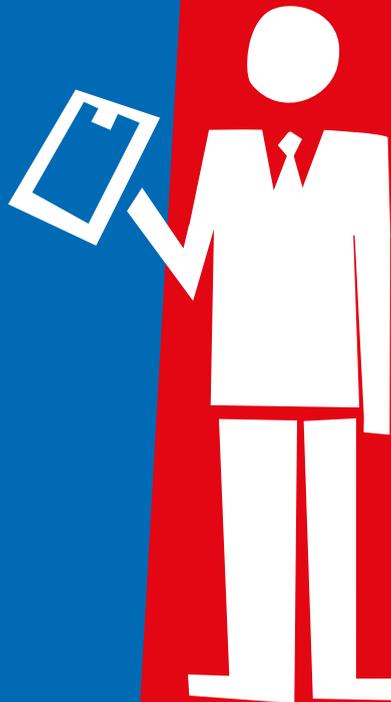
communications campaigns with other mission allies. This means we are all set to welcome more mission allies with open and prepared arms. Chocolate companies, come and join Tony's Open Chain!

To really change the system from the inside out, we believe every key player needs to do their part and we all need to work together as allies. Speaking of which, we do not only have mission allies in Tony's Open Chain, but we also have allies in our call for legislative changes. Find out more in the next chapter on governmental action!

**chapter five:**

# **GOVERN MENTS**

**let's create  
a level  
playing field**



**Ghana and Ivory Coast are stepping up their game. The price of \$ 1,820 in Ghana and \$ 1,788 in Ivory Coast per ton of cocoa that a cocoa farmer in West Africa currently earns is too low. That's why we're so eager to see that the governments of both Ghana and Ivory Coast have joined forces to increase the price of cocoa with 'Living Income Differential' (LID).**

**A**lthough it's still not enough for a living income by our calculations, it's an important step in the right direction. With the LID, everybody is paying (and receiving) a bit more for cocoa. The overall objective of the LID is to increase farmer income, improving living standards and livelihoods of cocoa farmers. The LID of \$ 400 per ton is added on top of the regular export price by the 2 governments for this season's cocoa sales. In 2001, almost 20 years ago, the Harkin-Engel Protocol was created. Since then, numerous deadlines have been missed. Clearly, voluntary agreements alone do not lead to much needed change. To really change the cocoa sector, we feel the sector needs serious legislation that holds companies responsible for modern slavery and illegal child labor in their value chains. Our objective is to move beyond self-regulation and to create a level playing field. There are too many voluntary sustainability initiatives and they're not covering the full supply chain.

We – Big and small Choco alike – need to work under the same legal requirements and regulations to be obliged to investigate the entire supply chain and act on human rights violations. This will set the basis to move towards equality in the cocoa sector.

This is why we launched a petition calling for 100% responsibility. Companies and all actors in the cocoa sector need to step up their game and take full responsibility for their entire supply chains.

### **let's make 100% slave free the law**

We want 1 million signatures to take to Brussels and 100,000 to Washington D.C. and London, to petition governments to pass new European, American and British due diligence legislation.

Did you already sign our petition? With your signature you are supporting human rights and child rights globally by making sure that manufacturers and retailers across all sectors — not just Big Choco — are held legally responsible for their supply chains. Next book year we will take your signature to the parliaments of EU, US and UK.



Scan & go!

Luckily, the industry and Big Choco have started to come together in coalitions calling for serious legislation. You can read more about us teaming up with Big Choco, as well as jointly calling for EU legislation on the following pages. Let's change the system together!



### 1, 2, 3, DISCO

Clearly more action is needed, as the latest deadline of the Harkin-Engel Protocol was set for 2020, was once again not met and resulted in no significant progress. One effort to achieve progress is the Dutch Initiative on Sustainable Cocoa (DISCO). A partnership between companies, public sector organizations and civil society organizations active in the Dutch cocoa and chocolate sector to make the cocoa sector more sustainable by coordinating joint efforts. More specifically, achieving a living income for cocoa farmers, eliminating illegal child labor, as well as forced labor, and ending deforestation and forest degradation for all cocoa that is processed in the Netherlands.

DISCO sounded like music to our ears. After all, it suited our mission so well: together we will make chocolate 100% slave-free. So, we decided to join the partnership for an ambitious agreement with clear targets and means to hold each other accountable.

However, after 9 months of talking, the targets were reduced to what we think are vague promises and unclear plans. A bad partnership full of big meaningless statements is worse than no partnership, because it might seem like something is happening while it is not.. So, after realizing that our concerns were left unheard, we decided to step out.

Soon after, DISCO changed their dancemoves. 1, 2, 3 Disco.. For the better if you ask us. Our recommendations and prior concerns were taken seriously. The scope returned to all cocoa processed in the Netherlands (1.4 million tonnes per year!) and clear results have been defined: enable families to earn a living income by 2030, stop cocoa-related deforestation and forest degradation by 2025 and end all forms of child labor by 2025.

So, another 180 degrees later, we've rejoined DISCO in September 2020 to set the new norm in cocoa.. It is a platform where we can educate many key players on our innovations on living income (the LIRP), traceability (the Beantracker), and illegal child labor (CLMRS). For example, Albert Heijn, our first Tony's Open Chain mission ally, is also a signatory of DISCO, and any future mission ally of Tony's Open Chain will of course get our full support to achieve the goals of DISCO.

Furthermore, DISCO's targets give us leverage for an effective commitment on EU-level by combining due diligence, trade agreements and investments in production countries. As the Dutch government is also a signatory to DISCO, we can together build on that common ground to push for legislation in the European arena.

Happy end? Absolutely not.. This is just the beginning! We will contribute to DISCO and do our best to keep everyone accountable, including ourselves.

### **talking with EU commissioners**

We teamed up with the VOICE Network, Barry Callebaut, Mondelez, Mars, Nestlé, Unilever, Fairtrade and Rainforest Alliance who published a call for EU legislation in December 2019, and we voiced our support for EU framework on mandatory human rights and environmental due diligence in September 2020. Go Team!

Overall, the cocoa sector is saying loud and clear: "We are ready for legislation!" On June 25<sup>th</sup>, 2020 our Chief Chocolate Officer Henk Jan and our Impactus Prime Paul sat down together with other chocolate companies and 3 EU commissioners. Why? We wanted to seek commitment on legislation to strengthen human rights and environmental due diligence requirements of companies in global cocoa supply chains.

Together we explained why we need legislation. And the responses were positive! All 3 seemed not only proud of the productive conversation, but



**Hi there commissioners Phil Hogan, Jutta Urpilainen and Virginijus Sinkevičius**

also keen to start the process of designing legislation. This will take about 1.5 to 2 years and we see it as our role to make sure the bar is high enough concerning all mandatory requirements and that no delays occur.

An EU-wide approach to due diligence will benefit all key players in the cocoa sector as it would provide a clear and coherent framework to enforce standards on a national level of the EU member states.

### **dear Minister Sigrid Kaag..**

Last year, the Child Labor Duty of Care Act (WZK) was passed in the Netherlands and Dutch Minister for Foreign Trade and Development Cooperation Sigrid Kaag, was commissioned to expand that law! But the wheel of politics turns slowly and we haven't seen progress since.. So, we thought let's step it up a notch. Together with MVO Platform and 49 Dutch companies, we sent Minister Kaag a letter. In this letter, we express our support for a legal framework for human rights due diligence which will ensure more transparency and equality in supply chains, so companies must seriously tackle their negative impact on human rights issues.

How can we show that there is a broad coalition in favor of legislation, not just civil society or front runner companies? For this, our civil society friends formed a group to establish a broad coalition of companies, churches, academics and civil society organizations. This coalition (and campaign) was launched with the kick-off of the Dutch political season.

National legislation also helps to push the EU process for legislation and makes sure we raise the bar high enough! To be continued..

Speaking of national legislation, we signed a joint statement to support the German supply chain law that is supposed to include legal due diligence for human rights and the environment. And we are happy that the UK government plans to introduce a new law to stop deforestation and protect rainforests by cleaning up the UK's supply chains. However, we were concerned by the lack of a human rights focus in the proposal. After all, human rights and the environment are 2 sides of the same coin, the root cause of both being poverty. They asked for feedback in their online consultation and, of course, we gave our 2 cents!



**Choco Fans, start your engines – it's time to make your voices heard! In September, the Chocotruck hit the road once again, and it was headed for the March on Washington. We were not alone, our friends at HeadCount and Favored Nations were there to help register voters and create awareness (for first timers and more) about the voting process.**

**chapter six:**

# RE TAIL

**changing  
the landscape**



**Retailers can change the landscape of what's being sold on shelves across the world. In the end, it all comes down to which products are bought and sold. Retailers, being one of the key stakeholders, can play an essential role in changing this world for the better. They can raise the bar and put pressure on brands. And let's not forget that retailers can also take their own responsibility with their private labels. That's why our Tony's Open Chain platform actively invites not only chocolate producers to join forces with us, but retailers too. Because only together can we eradicate modern slavery and illegal child labor on cocoa farms in West Africa.**

### **going big**

In just a few years, we've gone from a local Dutch chocolate brand to a global chocolate brand. We became market leader in chocolate bars in the Netherlands 3 years ago. Unfortunately, this year, with our market share of 16.4% (a drop from 18.8% last year) we got beaten by a big purple cow. Moo! That needs some explanation.

In Dutch supermarkets where our bars are being sold, we are still A-brand market leader. However, when you take aaaaaall supermarkets into account, including those where our bars aren't being sold, the purple cow wins. Boo.

Like we said before, we wanted to rise to an additional challenge this year by measuring our market share in the entire chocolate category. While we are not #1, we are not far behind either with a total market share of 8.2% (the market leader has 8.3% market share).

You can find Tony's in the United States of America, the United Kingdom, Germany, Belgium, Austria, Sweden, Norway, Denmark, Finland, France, Spain, Greece, Lebanon, Kuwait, Taiwan and Mexico.

Tony's is not only becoming a global movement, but also a global brand. Last book year, our bars made their debut appearance in the Antilles, the Philippines, Brazil, Iceland, Russia, Singapore, The United Arab Emirate, Hong Kong, Surinam, Kosova and New-Zealand. Wow.

### **international teams**

We classify our international markets as Gold, Silver or Bronze. The biggest players in the chocolate industry are headquartered in our Gold markets. That is why we have offices and Tony's teams in the Netherlands, Germany, the United States of America, Austria and the United Kingdom.

**In the US of AAAAAAA, we nearly doubled revenues from € 5.6 million in 18/19 to € 10.3 million in 19/20. All while we moved offices from Portland, Oregon to Manhattan, New York, appointed Frits, our Choconator, as the country manager and are expanding the team. Our market share in the US is 1.5%. Flip that number (5.1%) around for our market share in natural supermarket category -ie. Wholefoods – our home turf.**

**Our Beyond market managed to grow their revenues from € 5.7 million in 18/19 to € 6.0 million in 19/20. We've expanded the team and appointed Ruben, our Chippensales, as Lead Beyond, in order to facilitate a sales boost in the years to come.**

In our Silver markets like the Nordics, Belgium, and France we work with distributors that sell Tony's in their local markets and help us build the brand and spread the mission.

This year we renamed the team that is responsible for the Silver, Bronze and Duty-Free Travel Retail markets and accounts, to Team Beyond. The Tony's in this team work hard to make our bars available in every corner of the world. This includes many duty-free shops at airports worldwide, such as Amsterdam, Eindhoven,

Our 2nd year in the United Kingdom resulted in € 8.7 million in revenues, almost tripling the revenues of their launch year of € 3.2 million. We expanded our assortment at Sainsbury's and found a new office for the team. After being in business for 2 years, the UK is delivering profits. Not bad, right? We have 0.2% market share in the UK – it seems small but baby steps for a baby, eh?

Even though we've been around in Germany for a while, early this year we finally launched our very own DACH as a Gold market. DACH? Yup, that's an acronym used to describe Germany (D), Austria (A), and Switzerland (CH). We launched in the same week as the world's biggest sweets fair in Cologne, ISM. Which we attended to display ourselves as a global player with a mission.

In the Netherlands, net revenues grew by 14% from € 53.5 million in 18/19 to € 61.2 million in 19/20. We launched at the drugstore chain Kruidvat and opened Tony's Chocolonely Chocolate Bar in Amsterdam.

We started with a small team based in beautiful Hamburg and Salzburg. We appointed Niki as country manager, coming from innocent drinks. Revenues from Germany totaled € 2.3 million this year and a market share of 0.3%. Grüß Gott team DACH.

Rotterdam, Frankfurt, Hamburg, Berlin, Cologne, Hannover, Dortmund, Budapest, Vienna, Copenhagen, Oslo, Istanbul, Hong Kong, Bologna, Turin and Sydney. Just to name a few.

Unfortunately, Covid-19 and the global related measures meant that airports were ghost towns and we didn't fare well in this sector.

# GOLD MARKETS

**The Netherlands**

**United Kingdom + Ireland**

**DACH**

**USA**

The more successful we are in all of these markets, the more we will be noticed, the more likely it is that other chocolate companies will adopt our way of doing business, and the more farmers will move towards earning a living income. Don't worry, we're encouraging copycats here, but if you're going to copy us, then copy us ALL the way and join Tony's Open Chain.

## BEYOND

**DFTR**

**Belgium**

**Norway**

**Finland**

**Sweden**

**France**

## retail has a huge role to play

We want to change the industry from within, and retailers play a major role to make it happen. Put the right products on the shelf and make their private labels part of Tony's Open Chain, using the 5 Sourcing Principles. Together we can make it happen!



Join Tony's  
Open Chain  
Scan & go!



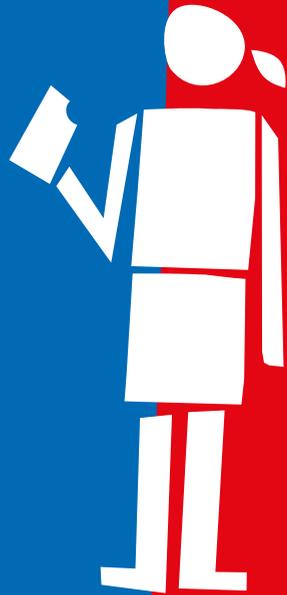
## Tony's Stores

We now have 2, count 'em 2, amazing Tony's stores; the lovely Tony's Home Store at our office in Amsterdam, and the Tony's Super Store in the Beurs van Berlage building in the heart of Amsterdam. Our stores are the perfect places for us to get in touch with our Choco Fans and talk about our mission, and a great way for them to enjoy all the different chocolate bars we have. That's including the Tony's Unlimiteds, the bars that you can make yourself, either in the store or online! When the Covid-19 pandemic hit, it economically hit our stores hard. We immediately closed both stores, taking our responsibility for both Choco Fans as well as our Super Stars (the Tony's that work in our stores). Because the stores were closed, we thought of other ways to keep them occupied and paid. It was amazing to see how they as a team pivoted to help keep all Tony's in the Netherlands connected and engaged, driving around with amazing Quarantony goodie bags and boxes. Go Super Stars!

**chapter seven:**

# **CHOCO FANS**

**friendship makes  
the world go round**



**We believe our Serious Friends are the ones that drive our mission forward, the ones that form the movement that really makes an impact in the world. The more of us demanding new ways of doing business and new laws, the faster the change.**

**T**hat's why we're always on the hunt for more Serious Friends, all across the globe..

So we ask Choco Fans to become our Serious Friend, by sharing our mission with others. Our goal for this book year was to reach 55,000 Serious Friends. We ended up with 65,448 Serious Friends. In 18/19 we only had 19,835 Serious Friends.

The big growth was achieved thanks to international expansion and different campaigns (the new manifesto brand video, our online petition for a change in the choco industry, our spruced up webshop, etc.). We need our Serious Friends to change the industry. We want to stay in touch and provide them with resources, so together we can make an impact. No one is too small to make a difference.

All good? Not yet. Last book year (18/19) we launched the Serious Friends Toolbox, remember? In hindsight, we think it's best to go a different route. The toolbox was too static and not engaging enough. So, we are changing up our friendship game. We'll be focusing much more on strong, personalized, content so we can better connect with our Serious Friends.

At Tony's, we're crazy about chocolate and we want you to be crazy about our chocolate too. We're happy that 23% of Dutch Choco Fans say that Tony's is their favorite brand of chocolate.

And what about the other Gold markets? We've only just begun, so we're not the favorite just yet in UK, US and Germany. Choco Fans still need to get to know us before we can become their favorite chocolate.

So far 9% of the people in UK, 6% in Germany, and 7% of people in the USA know about Tony's. So, we need to make more noise there. In the Netherlands, our most mature market, the brand awareness is 85%.

### **J.P. Coen, not a hero if you ask us..**

The Beurs van Berlage in Amsterdam felt like a logical place for our Super Store, because cocoa was traded there 400 years ago. So, when we had the opportunity to open our Chocolate Bar in the same location, we grabbed it. Right before the opening in July, the owners of the building drew our attention to the controversial figure of J.P. Coen, whose statue is on the façade of the building, right next to the entrance of our Chocolate Bar. We felt we couldn't open our Bar without addressing it. So, on June 18<sup>th</sup>, we placed an outspoken statement in the form of street art right next to the statue.

J.P. Coen is not a hero if you ask us. He was responsible for a great number of murders of the indigenous peoples of Banda Islands, in present-day Indonesia, for not recognizing the Dutch East India Company's nutmeg monopoly.

As a company dedicated to eradicating modern slavery and illegal child labor in the cocoa industry, we want to make sure that people do not only leave our Chocolate Bar with their bellies full, but also a little richer in knowledge. It is important to be aware of the Dutch colonial history so we can learn and be better.

**The statue that Berlage applied to this corner of the Stock Exchange is a statue of J.P. Coen as a sailor looking out over the water.**

**Today we know that Coen was responsible for a very large number of murders of inhabitants and leaders of present-day Indonesia.**

**We condemn these crimes. The statue is part of our Dutch history from which we all hope to learn.**

**Tony's Choclonely  
&  
BEURS VAN BERLAGE**



**hurray!**

Fortunately, besides the serious things, there is a lot to celebrate! Let's talk about the kudos we received. In the UK, we worked our butts off to win the 2019 Waitrose Sustainability Award. It feels good to be recognized for our mission and sustainability credentials by a big UK retailer so soon after launch. CFI.co praised

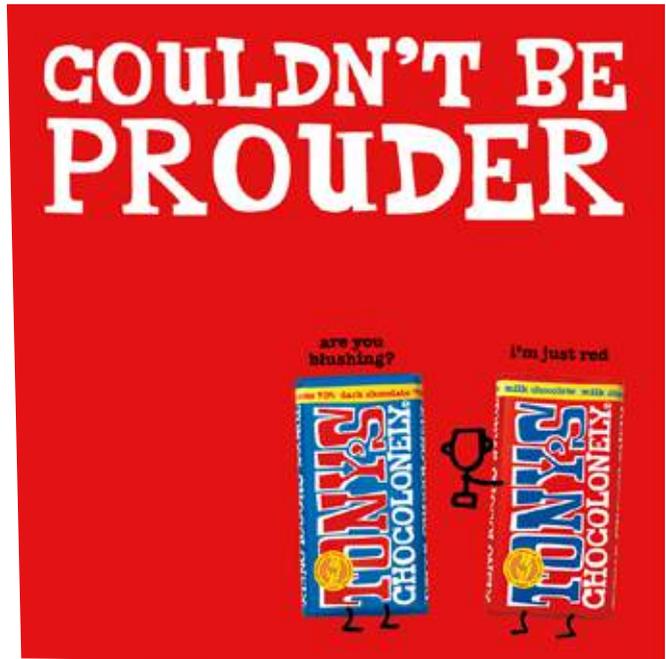


**In the summer of '20 we opened the Tony's Choclonely Chocolate Bar in the historic heart of Amsterdam. A place to enjoy the nicest choco-creations and to learn all about Tony's mission.**



us as the Most Socially Responsible Chocolatier Global, and the European Business Awards for the Environment mentions us as the Rising Star in the management category. Yeah!

For the 3<sup>rd</sup> year in a row, a true hat-trick, we were voted the most sustainable brand in the Netherlands in the Sustainable Brand Index. Also, in the Netherlands, we were named “the most talked about purpose brand” by Brandz. In the annual Dutch Synergie award for most inspiring brands we made it to the 10<sup>th</sup> place, room for improvement we think..



### other recognitions:

- ➔ Nominee for the Koning Willem 1 Price – Dutch entrepreneurial award.
- ➔ Mighty Earth's Golden Egg Award – for our efforts to reshape the industry.
- ➔ Lovies Awards – Gold medal winner of the best retail website.
- ➔ FD Gazelle award – Fast growing companies in the Netherlands – Nominated in category 'large size companies'.
- ➔ Nominee for Fairtrade Newcomer Award 2020 in Germany.

### let's talk, online

Last year our Choco Evangelist Ynzo once again travelled the world to share the story of cocoa, of Tony's Chocolonely, and of our mission. But when the Covid-19 outbreak started, it made it impossible to travel, so we switched to global online Tony's Talks and webinars. In total, we reached 41,761 people through our talks: 134 live talks on stage, 52 online talks, and 41 podcasts and interviews on top of that. At Tony's, we have a zero paid media policy; for us it's all about spending a bit more time with Choco Fans and our Serious Friends to explain why we exist and how we're working towards our mission. Some of the most interactive talks were at the Latin American Impact Investors forum in Merida, Mexico, the opening of the Student Hotel in Berlin, Germany, and the Americapack conference in Las Vegas,



Choco Evangelist Ynzo on CNN

USA. A joint effort of the International School in Amsterdam and the Atlanta International School managed to get us a great interview on CNN International. Whoop whoop!

This year we took the time (now that we were all working from home) to prepare to come back strong: we have been finetuning the brand strategy, we have been working on a content plan that includes the Chocolloquium, The Bias Project, a brand video and some other cool new projects that we cannot reveal yet! Stay tuned!



### **makes you smile**

The Covid-19 pandemic affected every one of us. This crisis made clear once again that while chocolate is just a treat, without any real superpowers, it sure does put a smile on people's faces. Folks who provide care for others are the true heroes in our eyes. So, in the Netherlands alone, we sent out more than 11,000 bars and 60,000 pouches of Tiny Tony's (bite sized chocolate) to people on the frontlines, at hospitals and clinics across the country, for a bit of sweetness in these bitter times. In the USA, we shipped more than 200 donations (consisting of more than 200,000 Tiny Tony's) to medical centers, food banks and more across the country.



**We still want to open our very own chocolate factory in the Netherlands: Tony's Chocolonely Chocolate Circus. A mission-driven chocolate factory with visitor center and roller coaster, also housing our Dutch offices. To be continued.**

## BITTER

Our exhibition BITTER Chocolate Stories landed in Cologne Germany this year. The exhibition was launched at the Schokoladenmuseum Köln (that's chocolate museum, for all you English readers) and educates consumers about the bitter truths in chocolate through portraits of children that were victims of illegal child labor, telling their story through photography and personal stories. The exhibition will be on until October 2021, come by if you're in the neighborhood!

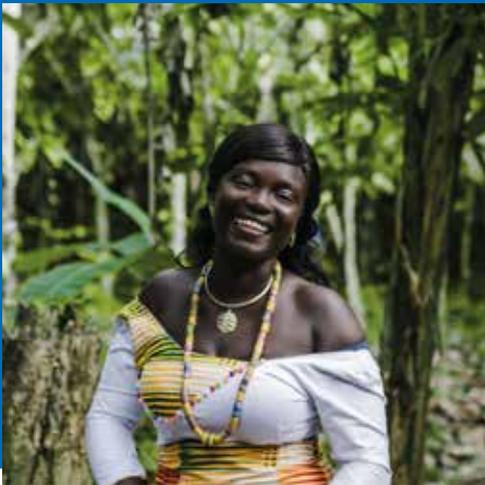
The BITTER exhibition in the Netherlands in Berg & Dal is prolonged until January 2021. See you there.



# REFRAMED

Do you remember our REFRAMED exhibition with Joshua Kissi? Joshua Kissi is a Ghanaian American photographer who went to Ghana and Ivory Coast to photograph cocoa and the people working in cocoa. The colorful frames symbolize a different perspective on Africa; a perspective of strong, gifted, talented Africans inviting the viewer to reframe his/her thoughts. It tells the stories of cocoa farmers working in Tony's Open Chain, from the inside out. The REFRAMED exhibition went on a trip and landed in New York, USA first and later arrived in Lagos, Nigeria.

**REFRAMED** launched November 17<sup>th</sup> at Lagos Photo Festival in Lagos, Nigeria. The opening reception featured a discussion between LagosPhoto and several innovative brands working with cocoa and chocolate in Nigeria.



## let's be FAIR

Our annual FAIR on the 21<sup>st</sup> of November '19, held in the Westergas area near our Homebase office, was a huge happening. Throughout the day, our Serious Program was hosted by Tim Hofman. We had amazing speakers like Ikenna Azuike and Sherrie Silver. The music program in the evening, with a surprise appearance by De Jeugd van Tegenwoordig, was curated by Akwasi. Party on!



Sign the  
petition!



Let's all keep making noise, because the time to act is now. Sign our petition today and make proper legislation a reality!



## brand video

The film explains our mission to end exploitation of cocoa farmers, contrasts the fairness we take for granted in Western culture with the inequality in West Africa's cocoa supply chains, where there are over 30,000 cases of modern slavery and over 1,56 million cases of illegal child labor.

Marketing Magic Maker, Thecla explains: "Our new brand video states our position about the issues in the cocoa industry in a globally appealing and emotional way. We have a serious message to share, and we are always looking for creative ways of getting our message across."



Seen our  
brand video  
yet?



**“Being an Englishman who is the son of a Ghanaian mother and a Sierra Leonian father, I am all too aware of the shocking inequalities between the West and Africa,”** stated narrator Idris Elba, who is himself active as an ambassador for the United Nations International Fund for Agricultural Development. **“It’s an honor for me to give a voice to the exploited by narrating Tony’s powerful manifesto and I see this collaboration as a first step to doing more impactful work together.”**



**Idris Elba is not just an actor with a great voice, but somebody who is really engaged with our subject matter.**

# sustainable from bar 2 bean.. and everything in between

**Our social mission is paramount, but we can't achieve social justice on a broken planet. Therefore, we work on SDGs. We work on SDGs 13 (Climate Action) and 15 (Life on Land) at the biosphere level.**



In addition, what we do on the ground, as you read in chapter 3, we are raising the environmental bar too. To know what needs to be done, we get insights from True Price. They calculate the actual social and environmental cost of our bars, considering negative social and environmental impact such as illegal child labor and carbon emissions.

## → **sourcing**

We already told you how we source our cocoa. But what about the other ingredients in our chocolate? We have a sourcing policy in which we describe our choices for purchasing all raw materials. In it, we indicate that we want to limit our impact on the environment as much as possible and work with suppliers who share that goal. We prefer to work with locally produced raw materials, inclusions and packaging materials.

Did you know that from all the ingredients in our chocolate, if we are talking CO<sub>2</sub> emitters, the biggest environmental impact comes from milk powder? Our average emission is 5.5 kilos of CO<sub>2</sub> per kilo of chocolate of which a whopping 42% is caused by milk. Moo.. We are looking for a solution to lower our carbon footprint. Besides that, we will be exploring the use of traceable sugar and milk powder.

We have already started exploring.. drum roll: packaging! For all our wrappers, we use uncoated, recycled FSC-certified paper. The wrappers on our bars are not coated with porcelain or kaolin. The paper is made from a mixture of recycled and FSC-certified paper. Just like the cover of this annual FAIR report (if you are reading it on paper). The plastic foil we use for Tiny Tony's is made of mono-oriented poly propylene, category 5 within plastic packaging, which is completely recycable. Although it is completely recyclable, we want to move away from it as soon as possible. Because plastic, is not that fantastic, if you ask us. At the moment we are looking into even more sustainable packaging options. Our ambition is to go 100% plastic free, both in our packaging and throughout our entire supply chain.

## → lush, green football fields

Together with JustdiggIt, we planted trees and plants on 474 hectares of land in Kenya. This is as big a land mass as 885 football fields. Scoooooore! This partnership makes up the biggest part of our strategy to offset our bean to bar carbon emissions to a full 100%. A nice extra is that the work on the ground is done by the local population who, of course, get paid for this. So, in addition to a positive impact on the environment, JustdiggIt also achieves social impact by providing work to the local population.

## → ships ahoy!

The True Price calculations show that shipping makes a major contribution to our CO<sub>2</sub> footprint. That's why we committed to the GoodShipping project of GoodFuels in March 2017. The GoodShipping program is the first initiative worldwide to promote sustainable shipping for companies. The goal is to change the standard: they want biofuel to become the standard in shipping. This year, for the second time in a row, we also shipped all our US bars to the USA via Good Shipping on bio fuel.

## → business as a Force for Good

We became a B Corp in 2013 as the 1<sup>st</sup> European chocolate company and 2<sup>nd</sup> company in the Netherlands to be certified. Why? B Corp believes that businesses should be purpose-driven and take responsibility for their entire value chain, not just shareholders. And we couldn't agree more.

## Team Tony's treehuggers?

Let's be honest, we strive to be. Because in the end: a better environment starts with yourself, right? Right. This book year we enjoyed having full vegetarian, organic lunches and a bicycle in our Homebase in The Netherlands. We encourage all Tony's to use bikes for any short distance and take public transport instead of cars. At our workplace, we separate waste, drink tap water instead of using plastic bottled water, and we buy sustainable office supplies as much as we can.

Apparently, all the hard work pays off. Dutch consumers voted Tony's Choclonely the Most Sustainable Brand of 2020 in the Dutch Sustainable Brands Index for 3 consecutive years now. Isn't that something?

All jokes aside, we don't consider us done yet. There's a lot more we can and should do. So, in terms of sustainability we want to raise the bar.



**JustdiggIt  
"regreens" dry  
land in Africa to  
offset our carbon  
emissions.**



**We transport all  
our sea freights  
on biofuel.**



chapter eight:

**THE  
NUMBERS,  
THE  
NUMBERS**

**Doing financially well and doing good for people and the planet can go hand in hand. We're the living proof. We want to change the system from within by showing the industry that you can be commercially successful whilst making a positive impact on the world around us. Obviously, the whole Covid-19 situation gave us a good scare because of the impact on several important markets. We saw our sales in the DFTR channel, such as airports, diminish to almost none in a very short period. On the other hand, our online direct sales almost tripled in the same period. All in all, we managed to keep it together last year.**

**T**he financial targets we are governed by are 50% revenue growth, 40% gross margin and 4% net margin. Although we recognize that these are ambitious goals, we know we have not been able to achieve all 3 in several years. In 19/20, we did not achieve the 50% growth, we did achieve the 40% gross margin, and we did not achieve the 4% net margin. But we are not letting our heads down, our operational performance improved significantly compared to last years. Wohooo!

### **last years' numbers in short**

Our net revenues totaled € 88.4 million, our gross margin landed at 42.4%, operating profit totaled € 0.6 million, and our net profit margin landed at 0.3% in the reporting period. Our revenue rose from € 69.6 million to € 88.4 million, that's a solid 27% growth. Not bad at all! Even though our original target was € 100 million. The gross margin was healthy and improved by 2.0 percentage points versus last year.

This book year we focused on laying the foundation in key markets to build an international brand that helps to create issue awareness and will help us grow and make more impact.

See what the separate markets did? Check that amazing visualization we made in chapter 6!

### **big in finance**

➔ We are so delighted! In February we onboarded 2 new investors who are excited about our brand and are willing to participate in our mission and accelerate international growth together. These partners are Verlinvest and JamJar. Verlinvest you may know from their investments in sustainable brands Oatly and Vita Coco. Wohooo! JamJar was founded by the founders of innocent drinks. Fun fact: several Tony's worked there.. Key reasons to onboard new investors include funding the Chocolate Factory. Plus, they bring knowledge, expertise and a great network to help make more impact.

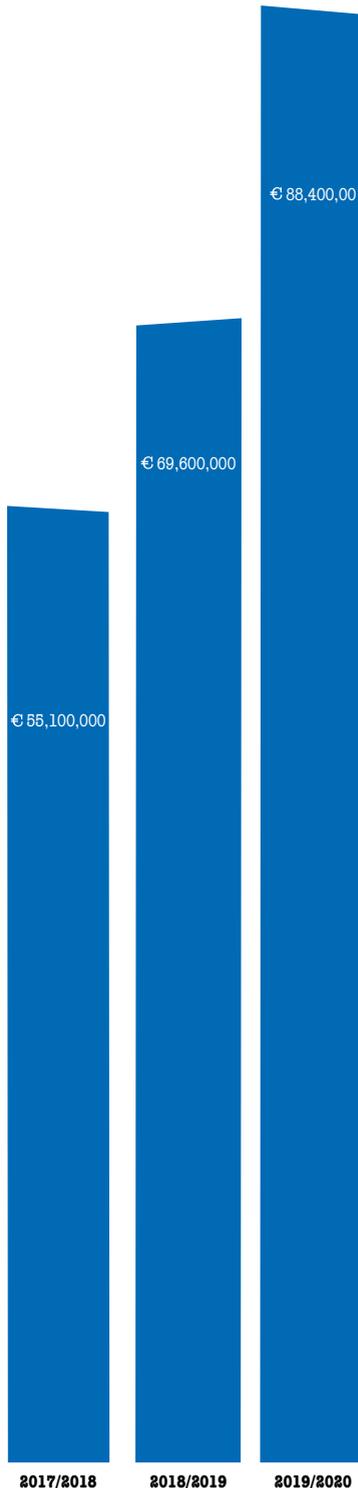
→ The Tony's Chocolonely Chocolate Circus is a key part of our strategy. It enables us to bring the true story on cocoa to consumers and shows how chocolate is made. And of course, it's a lot of fun, fun, fun. We've gotten closer to our dream with the support of the Zaandam municipality, the investor deal and our partner Barry Callebaut. Unfortunately, we had to temporarily pause the project because we didn't have a deal with a real estate investor in place in June.

→ Our impact project costs, the project costs we make to accelerate our impact and measure progress, rose by 37% to € 0.9 million. These expenses are on top of Tony's additional premium and the 1% of revenues we donate to the Chocolonely Foundation.

### Net revenue

Our net revenues increased from € 69.6 to € 88.4 million, a growth of 27%.

I love 'bar' charts..





## Key Financials (in €)

	2019/2020	2018/2019	2017/2018
Net Revenue	88,396,835	69,619,907	55,051,839
Cost of Sales	50,886,441	41,491,568	32,132,063
Cost of goods sold	49,363,683	40,006,418	31,420,162
Tony's Additional Premium	1,522,758	1,485,150	711,901
<b>Gross Margin</b>	<b>37,510,394</b>	<b>28,128,339</b>	<b>22,919,776</b>
Gross Margin Percentage	42.4%	40.4%	41.6%
Personnel expenses	12,325,199	9,293,503	6,389,992
Other operating expenses	23,247,099	17,442,744	12,339,868
Selling expenses	14,164,708	10,396,357	7,384,416
Marketing & PR expenses	3,174,207	2,029,276	1,459,085
Promotional contributions	8,942,538	6,454,402	4,342,968
Fairtrade License Fee	394,200	334,566	361,107
Chocolonely Foundation Contribution	879,748	700,420	550,520
Travel and representation expenses	336,539	546,100	438,244
Other selling expenses	437,476	331,593	232,493
Logistics expenses	4,561,490	3,470,324	2,949,622
General expenses	4,520,901	3,576,063	2,005,830
<b>EBITDA</b>	<b>1,938,096</b>	<b>1,592,092</b>	<b>4,189,916</b>
Depreciation	1,292,292	1,024,347	592,019
<b>EBIT</b>	<b>645,804</b>	<b>367,745</b>	<b>3,597,897</b>
Interest costs	269,806	248,863	221,319
Income Taxes	114,698	116,226	895,230
<b>Net Profit</b>	<b>261,300</b>	<b>2,656</b>	<b>2,481,348</b>
NET PROFIT PERCENTAGE	0.3%	0.0%	4.5%

## Key Financials (in €)

	9/30/2020	9/30/2019	9/30/2018
Fixed assets	8,020,077	5,654,666	4,303,208
Intangible fixed assets	1,793,774	1,205,695	870,474
Tangible fixed assets	6,226,303	4,448,971	3,432,732
Inventories	11,483,648	6,515,737	5,833,837
Trade and other receivables	19,897,424	17,457,514	11,003,524
Trade receivables	13,231,358	12,829,706	8,097,800
Other receivables	4,669,108	2,871,596	980,989
Prepaid Tony's additional premium	1,996,958	1,756,212	1,924,735
Cash and cash equivalents	23,123,305	1,121	571
<b>Total Assets</b>	<b>62,524,454</b>	<b>29,629,038</b>	<b>21,141,138</b>
Shareholder's equity	32,305,566	3,003,245	3,214,914
Issued and paid up share capital	49,987	37,086	37,112
Share premium reserves	28,952,525	-	209,338
Legal reserves	-88,630	237,285	216,431
General reserves	2,831,010	2,728,874	2,752,033
Deferred tax liability	299,374	-	-
Undistributed profit for the year	261,300	-	-
Current liabilities	29,819,051	25,217,859	15,631,327
Credit institutions	14,007,414	12,227,267	6,146,275
Repayment obligations	117,600	886,957	893,267
Accounts payable	10,830,925	7,839,051	5,823,011
Taxes and social security contributions	1,233,324	1,300,222	513,974
Other liabilities and accrued expenses	3,629,788	2,964,362	2,254,800
Long-term liabilities	399,838	1,407,934	2,294,897
<b>Total Liabilities</b>	<b>62,524,454</b>	<b>29,629,038</b>	<b>21,141,138</b>

## it's not all about the money, honey.. but this paragraph is

Coming in at 69%, our main source of income was the Dutch market, but we have also managed to grow in other Gold markets. In the US, we nearly doubled sales from € 5.6 to € 10.3 million. Our 2<sup>nd</sup> year in the UK resulted in € 8.7 million in sales, more than doubling their launch year of the € 3.2 million. Total revenues from Germany totaled € 2.3 million this year. Working together with distributing partners in Europe, we were able to grow our business in Belgium, Scandinavia and Duty-Free Travel Retail from € 5.7 to € 6.0 million.

Our business in the Netherlands is now in a mature marketphase. Therefore, Gold and Beyond are key for future growth. Our scale ups in the US and the UK, and early success in Germany, are giving us the confidence to expand in Europe. Next year we want to further facilitate growth. Because more growth means bigger impact.

This year, we saw a substantial increase in gross margin jumping from 40.4% to 42.4%. The main reasons for higher margin are relatively lower cost of goods sold, as we benefited from scale efficiencies and favorable couverture prices. Besides that, we benefitted from a positive market mix; markets with a relatively high gross margin, like the US and UK, grew harder than other markets.

### **follow the money..**

As we focused on laying the foundation in our markets by investing in our team, this is reflected in our increasing personnel expenses, growing from € 9.3 million to € 12.3 million. Wow! We really put our team first.

➔ Our selling expenses grew from € 10.4 million to € 14.2 million. We invested in strengthening our brand by introducing new products and developing new propositions. Plus we developed our new manifesto film. Hence, our marketing & PR expenses increased from € 2.0 million to € 3.2 million. Our promotional contributions increased from € 6.5 million to € 8.9 million, the relative increase versus last year is primarily driven by a changing market mix. For example, promotional contributions in the US are structurally higher than anywhere else. Our selling expenses also include the costs for the Fairtrade license and our 1% revenue to the Chocolonely Foundation. Our travel costs went down because of Covid-19.

➔ Our logistic expenses grew from € 3.5 million (or 5% of net revenues) in to € 4.6 million (or 5.2% of net revenues). The relative increase of 0.2 percentage points is primarily driven by the increased share of the US and UK in total revenues, because we have higher logistic expenses there, as our chocolate is produced in Belgium.

➔ Our general expenses grew from € 3.6 million to € 4.5 million. For Tony's the most important expenses in this bucket are our impact expenses, that grew by 37% (while revenues grew 27%) to € 0.9 million. Besides this, our general expenses includes costs like housing, computer and IT, car expenses, consultancy fees and insurances. Despite opening new offices and hiring additional Tony's, these expenses are in line with last year as a percentage of total net revenues.

### **you win some, you lose some**

The above-mentioned revenues and expenses result in an, financial term alert, EBITDA (earnings before interest, taxes, depreciation and amortization) of € 2.0 million. This year our depreciations increased by € 0.3 million to € 1.3 million, reflecting additional investments we made this year.

Our operating profit (or EBIT) almost doubled versus last year, increasing from € 367,745 to € 645,804. After interest and taxes, our net profit totals € 261,300 or 0,3% of net revenues. Given a hectic year with Covid-19 and investing in our teams, we are very happy with this result.

**raise the bar!**



## it takes money to make money

### → **fixed assets**

Our assets grew from € 5.7 million to € 8.0 million. We have invested in IT in the last book year to increase the robustness, scalability and continuity of our core systems and infrastructure. We also invested in our online experience and proposition by further building our international websites, web shops and CRM tooling. Plus, we invested in optimizing the production line in De Beurs van Berlage in the Netherlands, where you can make customized Tony's Chocolonely Unlimiteds. This will also be featured in our future Chocolate subscription model, next book year. Lastly, several investments have been made relating to the project of realizing TCCC.

### → **inventories**

Our inventory level almost doubled compared to last year, and totals € 11.5 million on September 30<sup>th</sup>. The increase is mainly the result of the growth in US, UK and Beyond, whom have a longer physical supply chain. Furthermore, Covid-19 has led to an increase in stock cover for the DFTR channel in particular.

### → **trade and other receivables**

Our trade and other receivables only grew by 14% to € 19.9 million, while revenues grew by 27%. This is driven by improved payment terms with customers, as well as the implementation of a supply chain financing program with a key national account.

### → **equity and liabilities**

We welcomed Verlinvest and JamJar onboard as strategic investors. This has led to a significant increase in group equity, an increase in cash, and a decrease in liabilities from credit institutions.

## risky business

### → **couverture and currency risks**

The gross margin is the financial engine of our company. In addition to turnover, the price of the couverture is the main driver of the gross margin. The price of our couverture is determined, for the most part, by both the price of cocoa in the world market and the value of the Euro against the British pound.

These 2 variables determine a big portion of our potential gross margin. Our approach to the cost of goods sold and couverture contracts is primarily to mitigate risk and increase predictability. This means that we close long-term contracts for couverture based on the current Euro-GBP exchange rate and the price of cocoa when these variables will result in a gross margin which averages at least 40%. So, we choose predictability over possible lower costs with higher risk. Brexit could potentially impact tariffs, taxes, inspections, and safety regulations for exporting goods from the Netherlands to the UK and may increase the currency risk.

## **an internationally growing organization**

To meet our growth objectives, we need to continue our focus on international markets and keep transforming our internal organization to an international acting company with the best team and ways of working. So, how do we do that? We maintain an adequate financial policy by working with (divisional) budgets, financial month-end closing (analysis and monitoring) and the implementation of internal control measures such as segregation of duties, authorization levels and the four-eye principles in both our IT systems as our processes.

Further risks and uncertainty related to our international strategy can be attributed to long-term new market investments, longer supply chains and compliance to new rules and regulations. A robust supply chain in which bean-to-bar sourcing and the quality of the product is guaranteed is essential. Our strategic volume planning and management is becoming increasingly important in a high growth business. In line with this, one of our strategic goals is to 'Grow Strong' and focus on improving and controlling internal processes and systems as they scale.

## **enabling farmers and cooperatives**

In order to achieve our social objectives, we need to further invest in the professionalization of farmers, to enable them to increase their yields and income, but also to fight deforestation and to support agroforestry policies. Moreover, supporting the cooperatives in having all the data in order – membership lists, GPS mapping data, bean deliveries, etcetera – means that they are becoming more professional and can therefore provide better services to their members, also they become more attractive business partners for other chocolate companies. These supporting measures also help us to uncover matters that don't go as we want them to go (see also page 33).

## **financial risks and risk appetite**

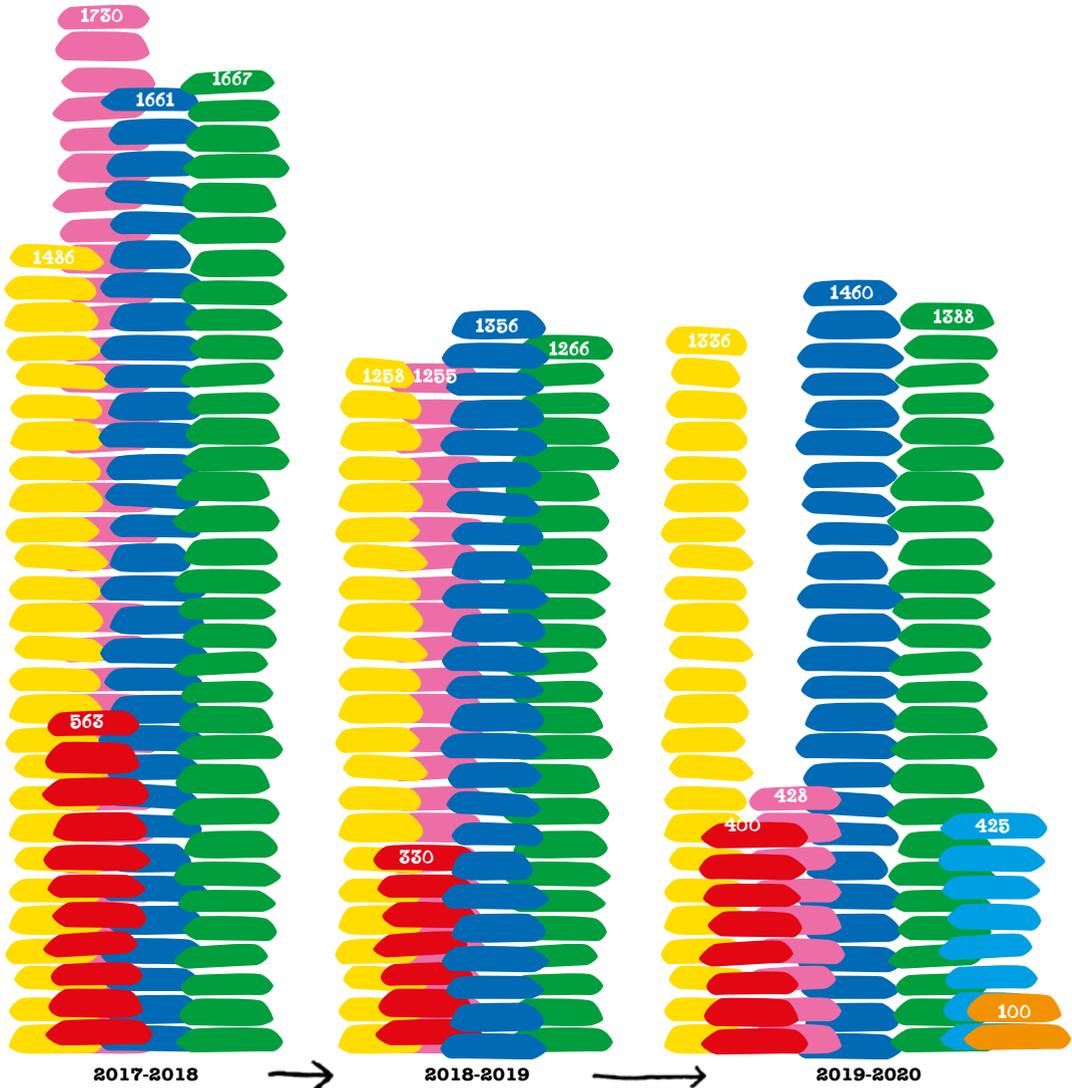
This year we repaid our external loan with Rabobank in full. We love to see it. With the onboarding of our 2 new investors, their capital contribution and potential working capital improvements, we don't see any role for a credit facility financing our working capital need for the coming book year. That's why we canceled our working capital finance agreement. Depending on any future large capital investment, (such as Tony's Chocolonely Chocolate Circus) we will reassess our need for potential financing. If you want to read more about financial risks, head over to paragraph 'financial instruments' and 'disclosure of estimates' in our financial statements in chapter 10.

## **hey impact! I'm finance**

All premiums we pay to reach the Living Income Reference Price are only a part of our impact costs. Additionally, we invest in professionalizing partner cooperative management, CLMRS and farmer coaching. We are also invest 1% of our turnover in the Chocolonely Foundation. We need these costs for the direct or indirect benefit of the farmers in our partner cooperatives and to promote our mission to make 100% slave free the norm in chocolate. These supporting measures also help us to uncover matters that don't go as we want them to go (see also page 33).

# MT beans bought per coop per year

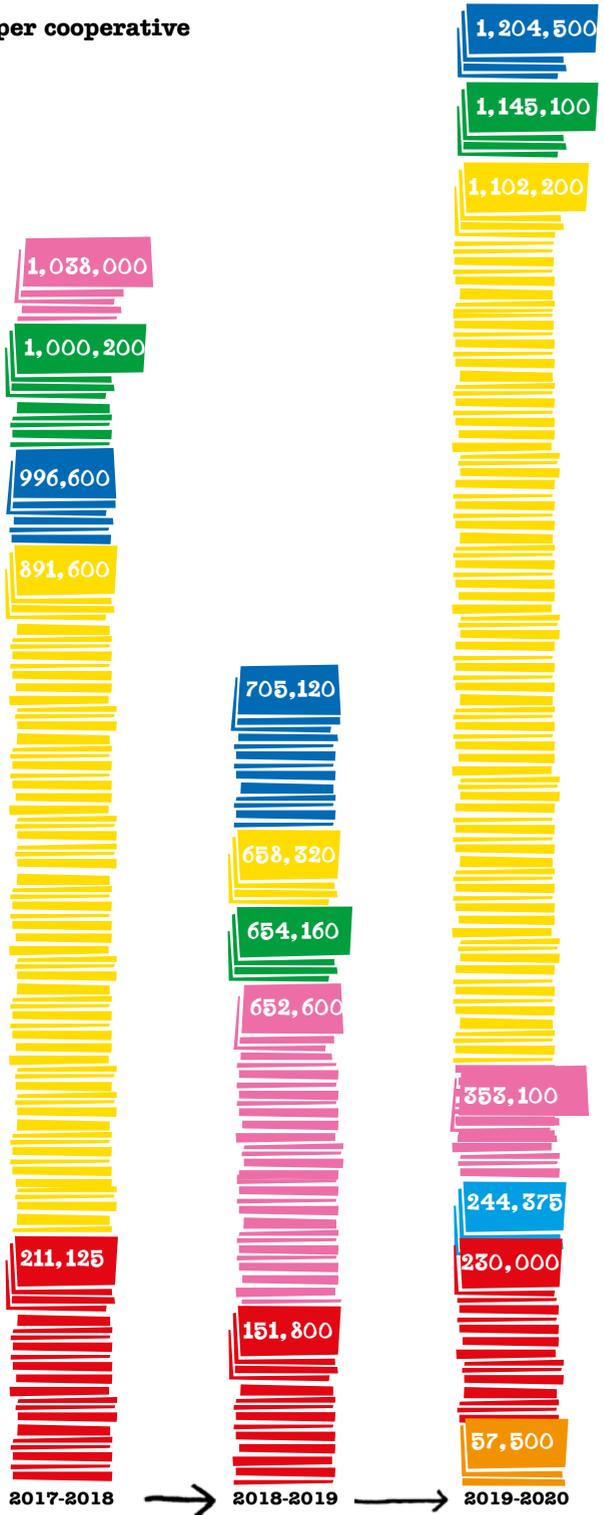
- ABOCFA
- Kapatchiva
- EGAM
- Ecojad
- SOCOOPACDI
- Asunafo
- Asetenapa



**total premium received in \$ per cooperative**

- **ABOCFA**
- **Kapatchiva**
- **ECAM**
- **Ecojad**
- **SOCOOPACDI**
- **Asunafo**
- **Asetenapa**

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



Impact Costs (in €)	2019/2020	2018/2019	2017/2018
Tony's premium	2,471,850	2,305,490	1,334,915
Fairtrade-premium	949,092	820,345	623,014
Tony's additional premium	1,522,758	1,485,150	711,901
impact project costs	912,034	666,699	392,111
Fairtrade licence fee	394,200	334,566	361,107
Chocolonely Foundation	879,748	700,420	550,520
CO <sub>2</sub> compensation	357,822	305,131	n/a
<b>total impact costs</b>	<b>5,015,654</b>	<b>4,312,306</b>	<b>2,638,652</b>

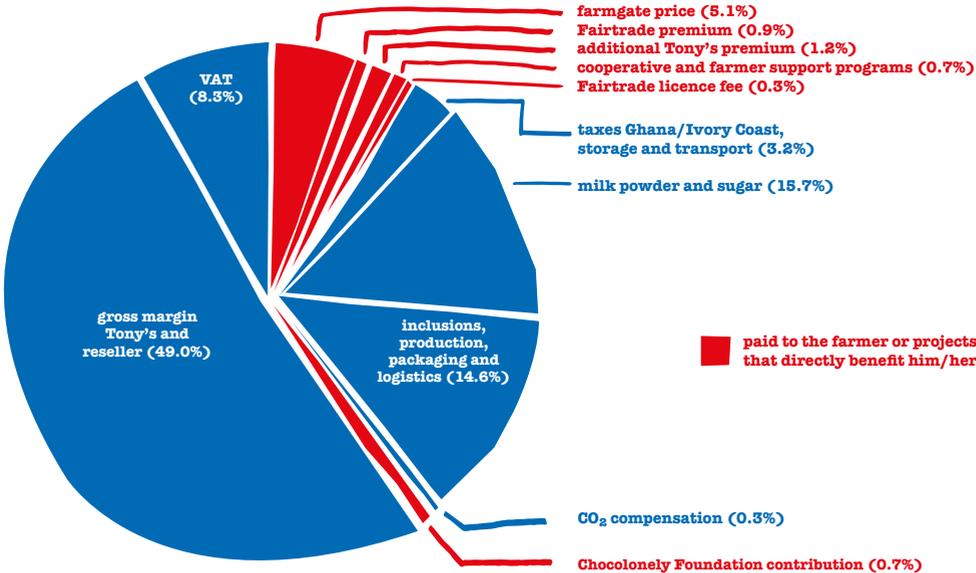
With our living income model, we pay a total of \$4,336,775 in premium and the farmers decide how to spend it. Although we would like to see as much cash as possible going to the farmers, it's up to them how they distribute it as part of the democratic decision making at cooperative level.

This year, the amount of premium that ended up the farmers' pockets rose from 52% to 68%. That's great, but it also means that most farmers do not earn a living income yet. This can be explained by Tony's and mission allies not buying 100% of the cocoa from any of the cooperatives (yet), it can however also be the result of many other factors, like low cocoa harvest yields.

### what is the price breakdown of a bar?

As you can see, like we show you in the chart, the price of fair cocoa only makes up a tiny fraction of the total price, so a bar wouldn't have to be much more expensive to have fair cocoa in it. Check out this yummy pie.

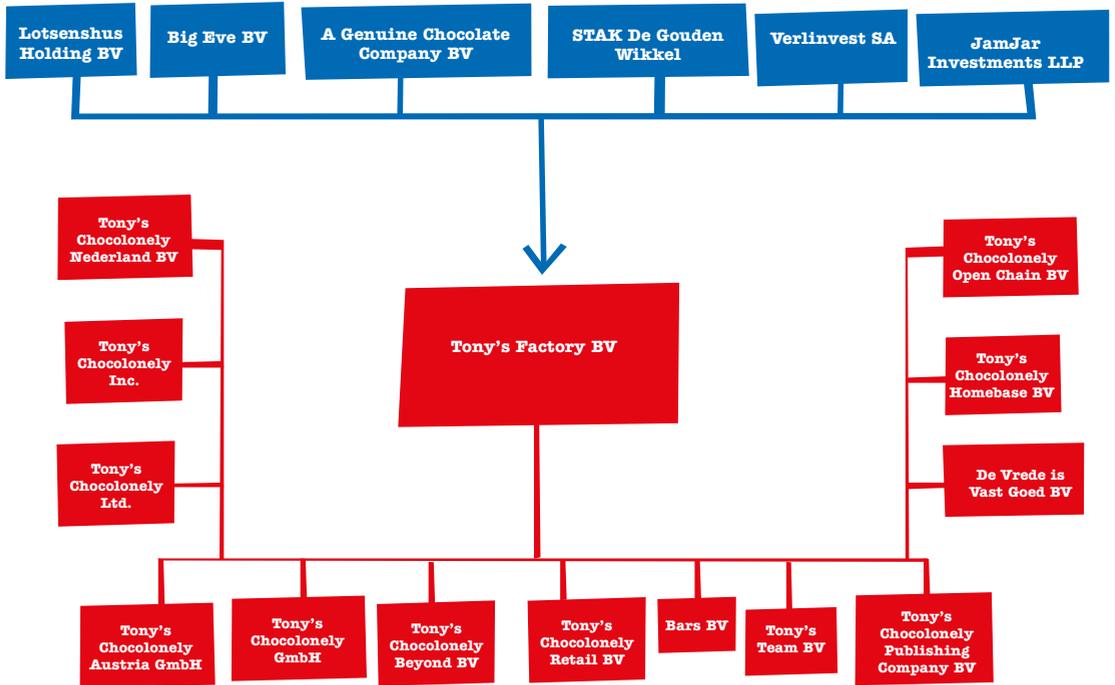
Disclaimer: This pie is based on averages to give a tasty general insight.



## what's the ownership structure?

This annual FAIR report is about the operations and financial results of Tony's Factory B.V. and its 13 subsidiaries in the book year 19/20. Together, they are referred to as Tony's Chocolonely. Tony's Factory B.V. has 6 shareholders.

The fact that we onboarded Verlinvest and JamJar as investors caused the shareholding structure to change from the previous reporting period in terms of voting rights and beneficial ownership. Let's take a more in-depth look at this:

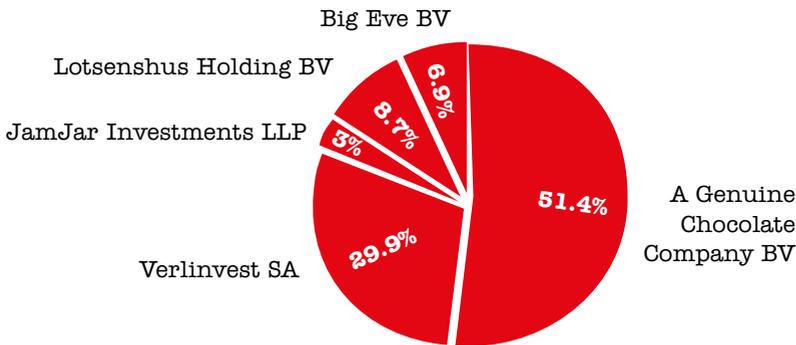


## Golden Wrapper

Every Tony who's on a permanent contract and whose year-end performance rating is spot-on has the opportunity to buy a Golden Wrapper – a number of shares with no voting rights attached. On September 30, 2020, 16.95% of the beneficial ownership was in the hands of employees, and 83 Tony's held Golden Wrappers.

The dividend policy is discussed during the general meeting, which takes place after the close of the book year. In the general meeting following the year 18/19, it was decided that no dividend was paid over the book year. Since the profitability target was not met, the management will recommend not paying any dividend this year either. Bummer!

### voting rights



### economic rights





chapter nine:

# HELLO FUTURE

let's raise the bar



**To create global, systemic and lasting change, we must work together. All key players must do their part to bring down the inequalities across the globe. So we can learn, fail and raise the bar together. We focus our efforts on the people working in the cocoa industry in West Africa and our mission. But we realise more and more that our work doesn't stop there. We can all be part of the solution. And that is truly bigger than chocolate.**

**T**his is how we are raising the bar for the coming book year..

Looking at the numbers, our revenue grew by 27% and net profit was break-even. So, we are ready to face the future with confidence. Our aim is to go ahead with Tony's Chocolonely Chocolate Circus in 2021. This is how we are raising the bar in a cocoa nutshell:

- Growth in net revenues between 30%-35%, primarily driven by US, UK and DACH.. In order to realize this we foresee a growth in new Tony's, mostly in these markets, as well.
- A gross margin of at least 44%. The increase in gross margin is driven by scale efficiencies on sourcing, favorable couverture prices and an improved market mix (now DACH is a Gold market).
- A net profit after tax of at least 1.5%, reflecting our positive trend of the last 2 years, while investing in future growth and increasing our impact.

**100%** slave-free chocolate. Not only our chocolate, but all chocolate worldwide. We won't settle for less. That's why we are aiming to purchase a lot more beans. Because more traceable beans means bigger impact.

We are #2 in chocolate bars in our homeland the Netherlands. We are aiming to be reclaim our #1 spot in the Netherlands and be a top 5 market leader in all other Gold markets. Why? Because we want to share our story and grow the Serious Friends movement in order to make that impact. On top of that, we need to inspire all key players to act. For next year, our growth will mainly come from the US, UK and DACH. Aaaaand this is how we are taking it to the next level:

# 120,000

**Serious Friends**

**supporting our mission worldwide. That's 54,422 friends more than we currently have. Next year will be all about making lots and lots of new friends! Especially in the USA, UK and Germany. It's friends that make the world go round.**

# 9,900

**mt traceable beans**

**We will purchase at least 9,900 metric tonnes (mt) of traceable beans from our 6 partner cooperatives with Tony's premium. That's 7,150 mt from Tony's side and 2,750 mt via Tony's Open Chain.**

# 10,000

**cocoa farmers**

**cocoa farmers supplying to Tony's and Tony's Open Chain. This number is higher than last year because we will also be buying more cocoa beans.**

# 5

**mission allies**

**We aim to get at least 3 other mission allies on board for Tony's Open Chain - so 5 in total! They will also, of course, source their products according to the 5 Sourcing Principles.**

We'll keep working hard to make this world a more just, more righteous place to live in. Together, and only together, can we make that happen. Let us all be part of that movement of change. Let's start today and join us on our mission!



chapter ten:

# NUMBERS DEEP DIVE

# **Tony's Factory B.V. Amsterdam**

Financial report  
1 October 2019 until 30 September 2020

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## CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2020

### ASSETS

	09-30-2020		09-30-2019	
	€	€	€	€
<b>Fixed assets</b>				
<i>Intangible assets</i>	1			
Development costs		133,663		199,457
Intellectual property rights		938		1,300
Website and software		<u>1,659,173</u>		<u>1,004,938</u>
		1,793,774		1,205,695
<i>Tangible assets</i>	2			
Renovations		1,062,546		1,143,468
Production equipment		1,603,710		1,689,392
Transportation		328,439		377,274
Other fixed assets		595,259		364,086
Assets under construction		<u>2,636,349</u>		<u>874,751</u>
		6,226,303		4,448,971
Total fixed assets		<u>8,020,077</u>		<u>5,654,666</u>
<b>Current assets</b>				
<i>Inventories and work in progress</i>				
Finished goods		11,483,648		6,515,737
<i>Receivables</i>				
Trade receivables	3	13,231,358		12,829,706
Corporate Income Tax		226,055		-
Loans receivable		108,947		15,216
Current account board of directors		16,486		371,946
Other receivables, prepayments and accrued income	4	<u>6,314,578</u>		<u>4,240,646</u>
		19,897,424		17,457,514
<i>Cash and cash equivalents</i>	5	<u>23,123,305</u>		<u>1,121</u>
Total current assets		<u>54,504,377</u>		<u>23,974,372</u>
Total assets		<u><u>62,524,454</u></u>		<u><u>29,629,038</u></u>

## EQUITY AND LIABILITIES

		09-30-2020		09-30-2019	
		€	€	€	€
<b>Group equity</b>	6		32,305,565		3,003,245
<b>Long-term liabilities</b>	7				
Payables to banks	8		399,838		1,407,934
<b>Current liabilities and accruals</b>	9				
Amounts owed to credit institutions	10	14,007,414		12,227,267	
Repayment obligations		117,600		886,957	
Accounts payable		10,830,925		7,839,051	
Payables relating to taxes and social security contributions	11				
		1,233,324		1,300,222	
Other liabilities and accrued expenses	12	<u>3,629,788</u>		<u>2,964,362</u>	
			29,819,051		25,217,859
<b>Total liabilities and group equity</b>			<u>62,524,454</u>		<u>29,629,038</u>

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD 10-1-2019 UNTIL 09-30-2020**

	<u>10-1-2019 / 09-30-2020</u>		<u>10-1-2018 / 09-30-2019</u>	
	€	€	€	€
<b>Net Sales</b>	13	88,396,835		69,619,907
Cost of sales	14	50,886,441	41,491,568	
Personnel expenses	15	12,325,199	9,293,503	
Amortization and depreciation	16	1,292,292	1,024,347	
Other operating expenses	17	<u>23,247,099</u>	<u>17,442,744</u>	
<b>Total operating expenses</b>		<u>87,751,031</u>		<u>69,252,162</u>
<b>Total of operating result</b>		645,804		367,745
Other interest and similar income	18	42,344	101,229	
Interest and similar expenses	19	<u>(312,150)</u>	<u>(350,092)</u>	
<b>Financial income and expense</b>		<u>(269,806)</u>		<u>(248,863)</u>
<b>Total of result of activities before tax</b>		375,998		118,882
Income tax expense	20	<u>(114,698)</u>		<u>(116,226)</u>
<b>Total of result after tax</b>		<u>261,300</u>		<u>2,656</u>

**CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD 10-1-2019 UNTIL 09-30-2020**

	<u>10-1-2019 / 09-30-2020</u>		<u>10-1-2018 / 09-30-2019</u>	
	€	€	€	€
<b>Total of cash flows generated from (used in) operating activities</b>				
Operating result		645,804		367,135
<i>Adjustments for</i>				
Depreciation	16	1,292,242		1,024,347
Exchange rate differences		-		92,127
<i>Changes in working capital</i>				
Decrease (increase) in inventories		(5,016,929)		(681,900)
Movements accounts receivable		(1,629,998)		(6,453,990)
Increase (decrease) in other payables	9	<u>2,747,954</u>		<u>3,637,985</u>
		<u>(3,898,973)</u>		<u>(3,497,905)</u>
<b>Total of cash flows generated from (used in) operations</b>		(1,960,927)		(2,014,296)
Interest received	18	9,772		11,704
Interest and similar expenses paid	19	(311,336)		(350,092)
Income tax paid	20	<u>(425,267)</u>		<u>(248,671)</u>
		<u>(726,831)</u>		<u>(587,059)</u>
<b>Total of cash flows generated from (used in) operating activities</b>		(2,687,758)		(2,601,355)
<b>Total of cash flows generated from (used in) investment activities</b>				
Purchase of intangible assets	1	(1,006,323)		(613,495)
Purchase of property, plant and equipment	2	<u>(2,500,640)</u>		<u>(1,764,304)</u>
<b>Total of cash flows generated from (used in) investment activities</b>		(3,506,963)		(2,377,799)
<b>Total of cash flows generated from (used in) financing activities</b>				
Receipts from issuance of share capital		-		93
Capital call		(19,455)		(120)
Share premium issue shares		34,175,445		121,008
Share premium buy back shares		(4,889,850)		(216,688)
Provision for buy back of shares		-		(150,000)
Repayments from borrowings	8	<u>(1,777,452)</u>		<u>(886,963)</u>
<b>Total of cash flows generated from (used in) financing activities</b>		<u>27,488,688</u>		<u>(1,132,670)</u>
<b>Net cash flow</b>				
Exchange rate and translation differences on cash		21,293,967		(6,111,824)
		<u>48,070</u>		<u>31,382</u>

**Total of increase (decrease) in  
cash and cash equivalents**

<u>21,342,037</u>	<u>(6,080,442)</u>
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**Movement in cash and cash equivalents**

Cash and cash equivalents at the beginning  
of the period

(12,226,146)	(6,145,704)
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Increase (decrease) cash and cash equiva-  
lents

<u>21,342,037</u>	<u>(6,080,442)</u>
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Cash and cash equivalents at the end of the  
period

<u>9,115,891</u>	<u>(12,226,146)</u>
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### ***Entity information***

#### **Registered address and registration number trade register**

The registered and actual address of Tony's Factory B.V. is Polonceaukade 20, 1014 DA in Amsterdam, The Netherlands. Tony's Factory B.V. is registered at the Chamber of Commerce under number 34241705.

### ***General notes***

#### **The most important activities of the entity**

The activities of Tony's Factory B.V. and its group companies ('the Group') are mainly comprised of producing and trading in Fairtrade and slave free chocolate products.

#### **Disclosure of going concern**

The equity of Tony's Factory B.V. amounts to EUR 32.3 million as at 30 September 2020 (EUR 3.0 million as at 30 September 2019). The company experienced a positive cash flow in the year as result of a capital contribution of Verlinvest and JamJar. Based on the budget and forecast, which shows a continued growth in revenues, management has prepared an analysis of the projected cash flows for 12 months as from the date of these accounts.

Irrespective of the tremendous impact of Covid-19 on world-wide macro-economic level, it is expected that Covid-19 may have some impact, though not significant on our current business, in relation to expected future performance, effects on future asset valuation or the entity's activities in general. Whilst uncertain, we do not believe, however, that the impact of the Covid-19 virus would have a material adverse effect on our financial condition or liquidity. Therefore the management believes that there is no doubt on the entity's ability to continue as a going concern and the going concern assumption has been applied for the preparation of the financial statements.

#### **Disclosure of group structure**

The company is a private limited liability company under Dutch law, the shares are distributed as follows:

##### 1) Voting shares:

- 51.41% is held by A Genuine Chocolate Company B.V.
- 29.88% is held by Verlinvest SA
- 3.04% is held by JamJar Investments LLP
- 8.73% is held by Lotsenshus Holding B.V.
- 6.94% is held by Big Eve B.V.

##### 2) Shares in profits:

- 42.69% is held by A Genuine Chocolate Company B.V.
- 24.82% is held by Verlinvest SA
- 2.52% is held by JamJar Investments LLP
- 7.25 % is held by Lotsenshus Holding B.V.
- 5.77% is held by Big Eve B.V.
- 16.95% is held by Stichting Administratiekantoor de 'Gouden Wikkell'

## Disclosure of estimates

In applying the principles and policies for drawing up the financial statements, the directors of Tony's Factory B.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

In 2018, we started a project to open our very own chocolate factory in the Netherlands: Tony's Chocolonely Chocolate Circus. A mission-driven chocolate factory with a visitor centre and roller coaster, also housing our Dutch offices. In June 2020, we announced that the Tony's Chocolonely Chocolate Circus project was put on hold because we were not able to take the next step yet. To finance our investment opportunities related to Tony's Chocolonely Chocolate Circus we are looking for an investment partner, without such a partner we cannot and will not proceed with this project. In such case all capitalized expenses relating to this project (EUR 4.6 million) run the risk of impairment. Despite the project has been put on hold for now, we are still actively working on closing the transaction with a potential investment partner. Although uncertain at the date of signing these financial statements, based on the current status we still consider it probable that the transaction will succeed, and therefore we have not impaired our capitalized expenses as per 30 September 2020.

## Disclosure of consolidation

The consolidation includes the financial information of Tony's Factory B.V., its group companies and other entities in which it exercises control or whose central management it conducts. Group companies are entities in which Tony's Factory B.V. exercises direct or indirect control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it otherwise has the power to govern. Potential voting rights that can directly be exercised at the balance sheet date are also taken into account.

Group companies and other entities in which Tony's Factory B.V. exercises control or whose central management it conducts are consolidated in full. Minority interests in group equity and group result are disclosed separately. Participating interests over which no control can be exercised (associates) are not included in the consolidation.

Intercompany transactions, profits and balances among group companies and other consolidated entities are eliminated, unless these results are realized through transactions with third parties. Unrealized losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. The accounting policies of group companies and other consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

Tony's Factory B.V. is the holding company in which all intangible assets as well as costs incurred for the whole group are posted. Tony's Factory B.V. holds thirteen fully owned subsidiaries:

- Tony's Chocolonely Nederland B.V. (100%), holds all Dutch operations;
- Tony's Chocolonely Inc. (100%), holds our US business activities;
- Tony's Chocolonely Ltd. (100%), holds our UK business activities;
- Tony's Chocolonely Retail B.V. (100%), holds our Brand Store(s);
- Tony's Chocolonely GmbH (100%), holds our German activities;
- Tony's Chocolonely Beyond B.V. (100%), holds our Bronze and Silver activities;
- Tony's Chocolonely Austria GmbH (100%), holds our Austrian activities;
- Tony's Chocolonely Homebase B.V. (100%), holds our head office supporting activities;
- Tony's Team B.V. (100%), holds all our Dutch employee contracts;
- Tony's Chocolonely Publishing Company B.V. (100%), holds the movie rights of our film 'The Chocolate Case' and our photo book 'Bitter Chocolate Stories';
- Tony's Chocolonely Bars B.V. (100%), holds the buying activities of finished goods for all markets;
- De Vrede is Vast Goed B.V. (100%), holds OPEX and CAPEX for project 'Tony's Chocolonely Chocolate Circus';
- Tony's Chocolonely Open Chain B.V. (100%), holds our mission allies activities.

## **Specification of related party transactions of importance and not taken under market conditions**

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the Company are considered to be a related party. In addition, statutory directors, other key management of Tony's Factory B.V. are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Transactions with related parties which are outside the normal course of business include:

### **Chocolonely Foundation**

Tony's Factory B.V. donates 1% of net revenue to the Chocolonely Foundation (Foundation premium). The Chocolonely Foundation finances projects that create pre-conditions that helps to eliminate slavery in the cocoa industry and increases consumer awareness on this topic. The Chocolonely Foundation has an independent board. The funding policy is that funds from Tony's Factory B.V. will only be transferred to the Chocolonely Foundation on specific payment request. Payment requests are based on project status reports approved by the Foundation board. In this manner cash stays within Tony's Factory B.V. up until approved payment request is received. Tony's Factory B.V. makes accruals for amounts owed to the Chocolonely Foundation. No interest is applicable.

### **Cocoasource S.A.**

Tony's Factory B.V. has a strategic partnership with Cocoasource S.A. Cocoasource S.A. is the buyer of our traceable and Fairtrade cocoa and selling party to cocoa-processor Barry Callebaut. Besides that Cocoasource S.A. is also a trusted advisor on market/ commodity developments and sourcing strategies. Cocoasource S.A. is participating in STAK 'De Gouden Wikkkel'.

### **A Genuine Chocolate Company B.V.**

A Genuine Chocolate Company B.V. is the majority shareholder in Tony's Factory B.V. (51.41% of the shares with voting rights). This shareholder has a current account with Tony's Factory B.V. that is used for non-business expenditures. This account is settled periodically based on a 4% interest rate agreement.

## ***General accounting principles***

### **The accounting standards used to prepare the financial statements**

#### **General**

The consolidated financial statements are drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost.

#### **Comparison with previous year**

The valuation principles and method of determining the result are the same as those used in the previous year.

## **Conversion of amounts denominated in foreign currency**

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective group company operates (the functional currency). The consolidated financial statements are presented in euros, which is the functional and presentation currency of Tony's Factory B.V.

## **Foreign currency translation for the balance sheet**

Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the consolidated profit and loss account, unless hedge accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

Assets and liabilities of consolidated subsidiaries with a functional currency different from the presentation currency are translated at the applicable rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Any resulting exchange differences are taken directly to the legal reserves for translation differences within equity.

## **Finance leases**

The company has lease contracts whereby it retains substantially all the risks and rewards of ownership of these assets. These assets are recognized on the balance sheet upon commencement of the lease contract at the lower of the fair value of the asset or the discounted value of the minimum lease payments. The lease instalments to be paid are divided into a repayment and an interest portion, using the annuity method. The liabilities under the lease, excluding the interest payments, are included under long-term debts.

The interest component is included in the consolidated profit and loss account for the duration of the contract on the basis of a fixed interest percentage of the average remaining redemption component. The assets are depreciated over the remaining economic life or, if shorter, the duration of the contract.

## **Operating leases**

The company has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of or incurred by the company. The lease contracts are recognized as operational leasing. Lease payments are recorded on a straight-line basis, taking into account reimbursements received from the lessor, in the consolidated profit and loss account for the duration of the contract.

## **Share based payments**

The company operates an employee share participation plan, under which selected and eligible employees of the Group participate indirectly in the share capital of the Company through the acquisition of certificates over shares in the Company (certificates) issued by Stichting Administratiekantoor 'De Gouden Wikkel'.

For every five certificates an employee acquires, the employee is entitled to a bonus certificate after five years subject to still holding the certificates and being employed by a Group company. Since the entitlements to bonus certificates are classified as equity-settled share-based payment transactions, the grant date fair value of the bonus certificates should be expensed over the five-year vesting period with a corresponding credit to equity. However, due to the limited yearly impact, the fair value of the bonus certificates are expensed at the time the bonus certificates are issued. At 30 September 2020 the total number of certificates held by employees and related parties amounts to 847,314 (2018-2019: 960,572), of which a total number of 16,200 (2018-2019: 15,007), certificates is eligible for participation in aforementioned bonus certificate program.

## **Financial instruments**

### **MARKET RISK**

#### Currency risk

The currency risk concerns positions and future transactions in US dollars and GB pounds. Management has determined, based on a risk assessment, that given the current limited amounts the currency risk does not have to be hedged yet. The current volatility in the FX market and expected increase in our US and UK businesses for next year will ask for more active hedging policies. Forward exchange contracts are most likely to be used for this purpose. In the near-term the hard Brexit may increase the currency risk.

#### Price risk

Fluctuations in cocoa terminal market prices is the main price risks that needs to be managed. Management actively monitors relevant market- and price developments, collaborates with specialized trading desks (related party Cocosource) and hedges risks by writing long term couverture contracts with cocoa processing partner Barry Callebaut based on gross profit margin analysis. This policy results in a stable and predictable gross profit margin.

#### Interest rate and cash flow risk

As per financial year we repaid our external loan with the Rabobank in full. With the onboarding of the new investors Verlinvest and JamJar and their capital contribution, Tony's Chocolonely Netherlands B.V. and Tony's Factory B.V. cancelled its working capital financing agreement with Rabobank Amstel en Vecht U.A., as there is currently no need for a credit facility to finance Tony's working capital needs, due to the capital injection of the new investors. Management has updated its new 5 year plans, based on which there are no additional needs to finance Tony's working capital. Depending on any new future large capital investment (such as TCCC), management will reassess its additional need for potential financing.

### **CREDIT RISK**

Sales are made to customers that meet the Company's credit rating. Goods and services are sold subject to payment deadlines ranging between 14 and 60 days. A different payment period may apply to major customers, in which case additional securities are demanded, including guarantees. Issued loans to related parties, as well as to shareholders do not have a history of non-performance.

### **LIQUIDITY RISK**

During the year, the Company has implemented a cash pool system, allowing a more efficient management of the daily working capital needs for the participating operating entities. The settlement mechanism of the cash pool is provided by the Rabobank. The cash pool system exposes the Company to a single net amount with that financial counterparty rather than the gross amount of several current accounts and bank overdraft balances. From an operational perspective, the balances in the cash pool are netted. However, in accordance with the guidance of Dutch GAAP regarding offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis in our balance sheet (see Note 5 and 10).

## ***Accounting principles***

### **Intangible assets**

Intangible fixed assets are stated at historical cost less amortisation. Impairments are taken into consideration; this is relevant in the event that the carrying amount of the asset is higher than its realizable value.

## Development costs

Research costs are recognized in the profit and loss account. Expenditure on development projects is capitalized as part of the production cost if it is likely from both a commercial and technical perspective that the project will be successful and the cost can be determined reliably. A legal reserve has been formed within equity with regard to the recognized development costs for the capitalized amount. The amortisation of capitalized development costs commences at the time when the commercial production starts and takes place over the expected future useful life of the asset.

## Costs of acquisition of patents, trademarks and other rights

Costs of intangible assets other than those internally generated, including patents and licences, are valued at acquisition cost and amortized on a straight-line basis over their estimated future useful lives, with a maximum of 10 years.

## Property, plant and equipment

Tangible fixed assets are valued at acquisition costs or production costs plus additional costs less straight-line depreciation based on the expected life, unless stated otherwise. Impairments expected on the balance sheet date are taken into account.

## Impairment of non-current assets

On each balance sheet date, Tony's Factory B.V. assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the realizable value and the value in use.

An impairment loss is directly recognized in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

The realizable value is initially based on a binding sale agreement; if there is no such agreement, the realizable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash-generating unit; these cash flows are discounted.

If it is established that an impairment that was recognized in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill is not reversed.

## Finished and trade goods

Finished goods are valued at cost price or lower realizable value.

The cost price consists of the historical cost or production cost and costs incurred in order to bring the inventories to their current location and current condition. The production cost includes direct labor and fixed and variable production overheads, taking into account the costs of the operations office, the maintenance department and internal logistics.

The realizable value is the estimated sales price less directly attributable sales costs. In determining the realizable value the obsolescence of the inventories is taken into account.

## Receivables

Receivables are initially valued at the fair value of the consideration to be received. Receivables are subsequently valued at the amortized cost price. If there is no premium or discount and there are no transaction costs, the amortized cost price equals the nominal value of the accounts receivable. If payment of the receivable is postponed under an extended payment deadline, fair value is measured on the basis of the discounted value of the expected revenues. Interest gains are recognized using the effective interest method. Provisions for bad debts are deducted from the carrying amount of the receivable.

## **Cash and cash equivalents**

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Overdrafts at banks are recognized as part of debts to lending institutions under current liabilities. Cash at banks and in hand is valued at nominal value.

## **Non-current liabilities**

On initial recognition long-term debts are recognized at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long-term debts are recognized at the amortized cost price, being the amount received taking into account premiums or discounts and minus transaction costs. If there is no premium / discount or if there are no transaction costs, the amortized cost price is the same as the nominal value of the debt.

The difference between stated book value and the mature redemption value is accounted for as interest cost in the consolidated profit and loss account on the basis of the effective interest rate during the estimated term of the long-term debts.

## **Current liabilities**

On initial recognition current liabilities are recognized at fair value. After initial recognition current liabilities are recognized at the amortized cost price, being the amount payable taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

## **Accounting principles for determining the result**

The result is the difference between the realizable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognized in the year in which they are realized.

## **Revenue recognition**

Net turnover comprises the income from the supply of goods and services after deduction of discounts and such like and of taxes levied on the turnover.

## **Wages**

The benefits payable to personnel are recorded in the consolidated profit and loss account on the basis of the employment conditions.

## **Applied policy of pension costs**

Tony's Factory B.V. applies the liability approach to account for all pension schemes. The premium payable during the reporting year is recorded as an expense. The contributions are recorded as personnel costs from the date that they become payable. Prepaid contributions are reported as receivable if this results in a repayment or a reduction in future payments. Contributions that are not yet paid are included as a liability in the balance sheet.

## **Amortisation of intangible assets and depreciation of property, plant and equipment**

Intangible fixed assets and tangible fixed assets are depreciated or amortized from the date of initial use over the expected future economic life of the asset, while taking into account any applicable restrictions with respect to buildings, investment property and other tangible fixed assets. Land is not depreciated.

Future depreciation and amortisation is adjusted if there is a change in estimated future useful life.

Gains and losses from the occasional sale of property, plant or equipment are included in depreciation.

## **Financial income and expenses**

Interest income and expenses are recognized on a pro rata basis, taking account of the effective interest rate of the assets and liabilities to which they relate. In accounting for interest expenses, the recognized transaction expenses for loans received are taken into consideration.

Exchange differences that arise from the settlement or translation of monetary items are recorded in the profit and loss account in the period in which they occur, unless hedge-accounting is applied.

Dividends to be received from participations and securities not carried at net asset value are recognized as soon as Tony's Factory B.V. has acquired the right to them.

Changes in the value of financial instruments recognized at fair value are recorded in the consolidated profit and loss account.

### **Income tax expense**

Tax on the result is calculated based on the result before tax in the consolidated profit and loss account, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

In the financial statements of group companies a tax charge is calculated on the basis of the accounting result. The corporate income tax that is due by these group companies is charged into the current accounts with Tony's Factory B.V.

### **Cash flow statement**

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities. Transactions not resulting in inflow or outflow of cash, including finance leases, are not recognized in the cash flow statement. The value of the related asset and lease liability are disclosed in the notes to the balance sheet items. Payments of finance lease instalments qualify as repayments of borrowings under cash used in financing activities and as interest paid under cash generated from operating activities.

## NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2020

### ASSETS

#### *Fixed assets*

##### **1 Intangible assets**

Movements in intangible fixed assets can be broken down as follows:

	Development costs	Intellectual property rights	Website and software	Total
	€	€	€	€
Balance as at 1 October 2019				
Acquisition costs	420,626	24,389	1,403,427	1,848,442
Accumulated amortization	(220,701)	(23,089)	(398,201)	(641,991)
Accumulated exchange differences	(468)	-	(288)	(756)
Book value as at 1 October 2019	<u>199,457</u>	<u>1,300</u>	<u>1,004,938</u>	<u>1,205,695</u>
Movements				
Additions	-	-	1,004,328	1,004,328
Exchange differences	(3,321)	-	779	(2,542)
Amortizations	(62,473)	(362)	(350,872)	(413,707)
Balance movements	<u>(65,794)</u>	<u>(362)</u>	<u>654,235</u>	<u>588,079</u>
Balance as at 30 September 2020				
Acquisition costs	420,626	24,389	2,407,755	2,852,770
Accumulated amortization	(283,174)	(23,451)	(749,073)	(1,055,698)
Accumulated exchange differences	(3,789)	-	491	(3,298)
Book value as at 30 September 2020	<u>133,663</u>	<u>938</u>	<u>1,659,173</u>	<u>1,793,774</u>
Amortisation percentages	<u>20%</u>	<u>10%</u>	<u>20%</u>	

## 2 Tangible assets

Movements in tangible fixed assets are broken down as follows:

	Renovations	Production equipment	Transportation	Other fixed assets	Assets under construction
	€	€	€	€	€
Balance as at 1 October 2019					
Acquisition costs	1,766,973	2,237,056	423,872	632,949	874,751
Accumulated depreciation	(623,498)	(547,664)	(45,621)	(268,565)	-
Accumulated exchange differences	(7)	-	(977)	(298)	-
Book value as at 1 October 2019	<u>1,143,468</u>	<u>1,689,392</u>	<u>377,274</u>	<u>364,086</u>	<u>874,751</u>
Movements					
Additions	261,963	222,041	28,310	373,860	1,761,598
Depreciation	(343,399)	(307,723)	(83,876)	(143,587)	-
Exchange differences	514	-	6,731	900	-
Balance movements	<u>(80,922)</u>	<u>(85,682)</u>	<u>(48,835)</u>	<u>231,173</u>	<u>1,761,598</u>
Balance as at 30 September 2020					
Acquisition costs	2,028,936	2,459,097	452,182	1,006,809	2,636,349
Accumulated depreciation	(966,897)	(855,387)	(129,497)	(412,152)	-
Accumulated exchange differences	507	-	5,754	602	-
Book value as at 30 September 2020	<u>1,062,546</u>	<u>1,603,710</u>	<u>328,439</u>	<u>595,259</u>	<u>2,636,349</u>
Depreciation percentages	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>20%-33%</u>	<u>0%</u>

	<u>Total</u> €
Balance as at 1 October 2019	
Acquisition costs	5,935,601
Accumulated depreciation	(1,485,348)
Accumulated exchange differences	<u>(1,282)</u>
Book value as at 1 October 2019	<u><u>4,448,971</u></u>
Movements	
Additions	2,647,772
Depreciation	(878,585)
Exchange differences	<u>8,145</u>
Balance movements	<u><u>1,777,332</u></u>
Balance as at 30 September 2020	
Acquisition costs	8,583,373
Accumulated depreciation	(2,363,933)
Accumulated exchange differences	<u>6,863</u>
Book value as at 30 September 2020	<u><u>6,226,303</u></u>

The machine which enables consumers to design and produce their own Tony's Chocolate Bar is included in production equipment. A financial lease was constructed for the financing of the machine. Other tangible fixed assets regards chocolate moulds, bar dispensers and office furniture. Assets under construction are related to Tony's Chocolonely Chocolate Circus (refer to Disclosure of estimates for more information on status TCCC).

## Current assets

### Receivables

	09-30-2020	09-30-2019
	€	€
<b>3 Trade receivables</b>		
Trade receivables	13,396,673	12,843,606
Provision for doubtful debtors	<u>(165,315)</u>	<u>(13,900)</u>
	<u>13,231,358</u>	<u>12,829,706</u>

### 4 Other receivables, prepayments and accrued income

Other amounts receivable	1,480,775	444,210
Prepaid expenses	<u>4,833,803</u>	<u>3,796,436</u>
	<u>6,314,578</u>	<u>4,240,646</u>

The prepaid expenses include a prepayment of EUR 2.5 million (EUR 1.5 million 2018-2019) related to the development of Tony's Chocolonely Chocolate Circus (refer to Disclosure of estimates for more information on status TCCC).

### 5 Cash and cash equivalents

Cash	671	1,121
Cash equivalents	<u>23,122,634</u>	<u>-</u>
	<u>23,123,305</u>	<u>1,121</u>

The Cash and cash equivalents are not freely available for an amount of EUR 2.0 million (2018-2019 EUR 0). This concerns a trade pledge for an amount of EUR 2.0 million (2018-2019 EUR 0).

Cash equivalents are cash balance which are part of the cash pooling arrangement and are partly offset with an overdraft position (see Note 10). From an operational perspective, the balances in the cash pool are netted. However, in accordance with the guidance of Dutch GAAP regarding offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis in our balance sheet (see Note 10).

## EQUITY AND LIABILITIES

### 6 Group equity

The shareholders' equity is explained in the notes to the company-only balance sheet.

### Long-term liabilities

#### 7 Long-term liabilities

	Balance as at September 2020	Repayment due one year	Remaining pay-back time > 1 year	Interest percentage
	€	€	€	%
Payables to banks	<u>517,438</u>	<u>117,600</u>	<u>399,838</u>	3.50

#### 8 Payables to banks

	<u>09-30-2020</u>	<u>09-30-2019</u>
	€	€
Loans contracted	-	879,987
Lease liabilities	<u>399,838</u>	<u>527,947</u>
	<u>399,838</u>	<u>1,407,934</u>

#### Loans contracted

Loan	<u>-</u>	<u>879,987</u>
------	----------	----------------

- As per year -end 2019-2020 both loans where fully repaid.

- Previous financial year long term loan 1: (5 year term) of EUR 2.2 million (share buyback financing) with an interest of 2.65% plus 3 month Euribor;

- Previous financial year long term loan 2: (3 year term) of EUR 1.0 million (buyback certificates of share STAK 'De Gouden Wikkel') with an interest of 2.65% plus 3 month Euribor.

	<u>2019 / 2020</u>	<u>2018 / 2019</u>
	€	€

#### Loan

Balance as at 1 October		
Principal amount	3,200,000	3,200,000
Cumulative repayments	<u>(1,546,680)</u>	<u>(773,340)</u>
Balance as at 1 October	<u>1,653,320</u>	<u>2,426,660</u>
Movements		
Repayment	<u>(1,653,320)</u>	<u>(773,340)</u>
Balance as at 30 September		
Principal amount	3,200,000	3,200,000
Cumulative repayments	<u>(3,200,000)</u>	<u>(1,546,680)</u>
Current portion	-	<u>(773,333)</u>
Balance as at 30 September	<u>-</u>	<u>879,987</u>

	<u>09-30-2020</u>	<u>09-30-2019</u>
	€	€
<b>Lease liabilities</b>		
Lease liability	<u>399,838</u>	<u>527,947</u>

A financial lease was constructed for the financing of a machine which enables consumers to design and produce their own Tony's Chocolate Bar. The company is not the legal owner of the leased machine.

	<u>2019 / 2020</u>	<u>2018 / 2019</u>
	€	€
<b>Lease liability</b>		
Balance as at 1 October		
Principal amount	781,095	781,095
Cumulative repayments	<u>(141,947)</u>	<u>(22,013)</u>
Balance as at 1 October	<u>639,148</u>	<u>759,082</u>
Movements		
Repayment	<u>(121,710)</u>	<u>(119,934)</u>
Balance as at 30 September		
Principal amount	781,095	781,095
Cumulative repayments	(263,657)	(141,947)
Current portion	<u>(117,600)</u>	<u>(111,201)</u>
Balance as at 30 September	<u>399,838</u>	<u>527,947</u>
Interest percentage	3.5%	3.5%
Remaining terms	46 months	58 months

## Current liabilities and accruals

### 9 Current liabilities and accruals

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short term character.

	<u>09-30-2020</u>	<u>09-30-2019</u>
	€	€
<b>10 Amounts owed to credit institutions</b>		
Short term loan	-	12,227,267
Bank overdraft	<u>14,007,414</u>	<u>-</u>
	<u>14,007,414</u>	<u>12,227,267</u>

With the onboarding of the new investors Verlinvest and JamJar and their capital contribution, Tony's Chocolonely Netherlands B.V. and Tony's Factory B.V. cancelled its working capital financing agreement with Rabobank Amstel en Vecht U.A., as there is currently no need for a credit facility to finance Tony's working capital needs.

During the year, the Company has implemented a cash pool system, allowing a more efficient management of the daily working capital needs for the participating operating entities. The settlement mechanism of the cash pool is provided by the Rabobank. The cash pool system exposes the Company to a single net amount with that financial counterparty rather than the gross amount of several current accounts and bank overdraft balances. From an operational perspective, the balances in the cash pool are netted.

However, in accordance with the guidance of Dutch GAAP regarding offsetting of debit and credit balances for financial reporting purposes, these balances have to be presented on a gross basis in our balance sheet (see Note 5).

	<u>09-30-2020</u>	<u>09-30-2019</u>
	€	€
<b>11 Payables relating to taxes and social security contributions</b>		
Value added tax	1,001,524	972,603
Wage tax	231,800	224,941
Corporate income tax	<u>-</u>	<u>102,678</u>
	<u>1,233,324</u>	<u>1,300,222</u>

### 12 Other liabilities and accrued expenses

Other payables	45,770	305,035
Accrued expenses	3,498,374	2,330,546
Payable to Chocolonely Foundation	<u>85,644</u>	<u>328,781</u>
	<u>3,629,788</u>	<u>2,964,362</u>

## Contingent assets and liabilities

### *Disclosure of off-balance sheet commitments*

Tony's Factory B.V. has entered several rental obligations, the longest obligation until September 30th 2025.

The rent is EUR 1,462,014 excl. VAT for the rest of the period (rental obligation within 1 year amounts to EUR 701,759 and the rental obligation between 1 and 5 years amounts to EUR 760,255).

The bank guarantee is EUR 157,013.

Tony's Factory B.V. has entered into several strategic partnership arrangements, the longest and most significant obligation until 14 March 2024, with monthly expenses of EUR 46,511. This expense relates to a share based payment transaction (which is equity settled), whereby the fair value of the grant (EUR 2.0 million which is based on relative percentage of the enterprise value of the company) is expensed over the service period.

### *Disclosure of contingent liabilities on behalf of group companies*

Tony's Factory B.V. has issued a declaration of joint and several liability as referred to in Section 403, Book 2, of the Dutch Civil Code in respect of its consolidated subsidiaries. The declaration concerns Tony's Chocolonely Nederland B.V., Tony's Chocolonely Retail B.V., Tony's Chocolonely Beyond B.V., Tony's Chocolonely Homebase B.V., Tony's Team B.V., Tony's Chocolonely Publishing Company B.V., Tony's Chocolonely Bars B.V., De Vrede is Vast Goed B.V. and Tony's Chocolonely Open Chain B.V.

Tony's Chocolonely Limited has taken the exemption from an audit for the periods ended 30 September 2019 and 2020 permitted by s479A of Companies Act 2006. In order to allow the subsidiary to take the audit exemption, the parent company, Tony's Factory B.V., has given a statutory guarantee, in line with s479C of Companies Act 2006.

### *The off-balance sheet liabilities relating to the fiscal unity*

Tony's Factory B.V. forms an income tax group with Tony's Chocolonely Nederland B.V., Tony's Chocolonely Retail B.V., Tony's Chocolonely Beyond B.V., Tony's Chocolonely Homebase B.V., Tony's Team B.V., Tony's Chocolonely Publishing Company B.V., Tony's Chocolonely Bars B.V. and De Vrede is Vast Goed B.V. under the Tax Collection Act, the members of the tax group are jointly and severally liable for any taxes payable by the Group.

### *Off-balance sheet commitments relating to guarantees*

Tony's Factory B.V. has guaranteed the financing of a chair on the University of Utrecht regarding the curriculum Social Entrepreneurship (Stichting Leerstoel Social Entrepreneurship UU) for EUR 187,754 (2018-2019 EUR 250,000) up until 30 September 2022.

### *Disclosure of operating leases*

The obligations from operational leases at the end of the reporting period can be specified as follows:

#### *Assets and liabilities not recognised in balance sheets: Operating lease commitments: Breakdown maturity*

	<u>09-30-2020</u>	<u>09-30-2019</u>
	€	€
Minimal lease payments of operational leases with a maturity within one year	147,946	114,407
Minimal lease payments of operating leases with a maturity exceeding one year and within five years	<u>342,640</u>	<u>106,614</u>
Total of minimal lease payments of operating leases	<u><u>490,586</u></u>	<u><u>221,021</u></u>

**NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD 10-1-2019 UNTIL 09-30-2020**

	10-1-2019 / 09-30-2020	10-1-2018 / 09-30-2019
	€	€
<b>13 Net Sales</b>		
Turnover	<u>88,396,835</u>	<u>69,619,907</u>
<b>Geographic segmentation turnover</b>		
Turnover Netherlands	63,543,808	55,837,178
Turnover USA	10,274,834	5,595,396
Turnover UK	8,715,683	3,224,546
Turnover other EU	<u>5,862,510</u>	<u>4,962,787</u>
	<u>88,396,835</u>	<u>69,619,907</u>

**14 Cost of sales**

Cost of sales	<u>50,886,441</u>	<u>41,491,568</u>
Cost of goods sold	49,363,683	40,006,418
Additional Tony's Premium	<u>1,522,758</u>	<u>1,485,150</u>
Total	<u>50,886,441</u>	<u>41,491,568</u>

**15 Personnel expenses**

Wages and salaries	8,098,539	5,669,544
Social security charges and pensions cost	1,456,484	1,085,637
Other staff expenses	<u>2,770,176</u>	<u>2,538,322</u>
	<u>12,325,199</u>	<u>9,293,503</u>
Remuneration of directors	<u>616,788</u>	<u>404,669</u>

The directors' remuneration includes management fees, salaries, holiday allowance and social premiums, pensions, bonus payments, to the extent that these items were charged to the Company and all subsidiaries of the Company.

	10-1-2019 / 09-30-2020	10-1-2018 / 09-30-2019
	€	€
Remuneration of supervisory board	<u>82,500</u>	<u>45,000</u>

The supervisory boards' remuneration includes supervisory fees to the extent that these items were charged to the Company and all subsidiaries of the Company.

## Average number of FTE's

10-1-2019 / 09-30-2020

	Active within the Netherlands	Active outside the Netherlands	Total
Average number of employees	96.00	20.00	116.00

10-1-2018 / 09-30-2019

	Active within the Netherlands	Active outside the Netherlands	Total
Average number of employees	80.00	14.00	94.00

10-1-2019 / 09-30-2020  
€

10-1-2018 / 09-30-2019  
€

## 16 Amortization and depreciation

Amortization of intangible fixed assets	413,707	277,528
Depreciation of property, plant and equipment	878,585	746,819
	<u>1,292,292</u>	<u>1,024,347</u>

### Amortization of intangible fixed assets

Amortisation costs of development	62,473	60,530
Amortisation costs intellectual property	362	363
Amortisation costs other intangible fixed assets	350,872	216,635
	<u>413,707</u>	<u>277,528</u>

### Depreciation of property, plant and equipment

Renovations	343,399	328,804
Production equipment	307,723	271,244
Transportation	83,876	45,621
Other fixed assets	143,587	101,150
	<u>878,585</u>	<u>746,819</u>

10-1-2019 / 09-30-2020	10-1-2018 / 09-30-2019
€	€

### 17 Other operating expenses

Housing expenses	1,048,746	537,198
Selling expenses	14,164,708	10,396,357
Car expenses	395,416	347,827
Office expenses	920,406	597,739
General expenses	2,156,333	2,093,299
Logistic expenses	4,561,490	3,470,324
	<u>23,247,099</u>	<u>17,442,744</u>

### Selling expenses

Marketing expenses	3,174,207	2,029,276
Representation expenses	336,539	546,100
Sales promotions	8,942,538	6,454,402
Other selling expenses	437,476	331,593
Fairtrade premium	394,200	334,566
Foundation premium	879,748	700,420
	<u>14,164,708</u>	<u>10,396,357</u>

10-1-2019 / 09-30-2020
€

### Specification auditors fees

Financial audit	214,377
Other audit services	37,508
Tax services	136,202
Other non-audit services	89,579
Total	<u>477,666</u>

The fees listed above relate to the services rendered to the Company and its consolidated group entities by our auditors PwC Accountants N.V. as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ('Wet toezicht accountantsorganisaties Wta'), including its affiliated tax and advisory groups.

These fees relate to the audit of the 2019/2020 financial statements, regardless of whether the work was performed during the financial year.

10-1-2019 / 09-30-2020	10-1-2018 / 09-30-2019
€	€

### 18 Other interest and similar income

Interest current account shareholders	9,772	11,094
Interest other receivables	496	-
Exchange differences	32,076	90,135
	<u>42,344</u>	<u>101,229</u>

10-1-2019 / 09-30-2020	10-1-2018 / 09-30-2019
€	€

## 19 Interest and similar expenses

Interest other liabilities	-	4,423
Paid bank interest	<u>312,150</u>	<u>345,669</u>
	<u>312,150</u>	<u>350,092</u>

## 20 Income tax expense

Income tax expense previous year	(641)	(944)
Income tax expense from current financial year	<u>(114,057)</u>	<u>(115,282)</u>
	<u>(114,698)</u>	<u>(116,226)</u>
	%	%

Effective tax rate	24.76	30.55
	-	-

Last year's effective tax rate was exceptionally high due to the intercompany contribution that caused the net profit of 4% for Tony's Chocolonely Inc. And Tony's Chocolonely Ltd., whilst the group consolidated result was break even.

10-1-2019 / 09-30-2020	10-1-2018 / 09-30-2019
€	€

## Income tax expense from current financial year

Income tax expense from current financial year fiscal unity NL	36,230	65,763
Income tax expense from current financial year US	(151,012)	(149,212)
Income tax expense from current financial year UK	(3,568)	(31,833)
Income tax expense from current financial year DEU	<u>4,293</u>	<u>-</u>
Total	<u>(114,057)</u>	<u>(115,282)</u>

## COMPANY-ONLY FINANCIAL STATEMENTS

## COMPANY-ONLY BALANCE SHEET AS AT 30 SEPTEMBER 2020

### ASSETS

		<u>09-30-2020</u>	<u>09-30-2019</u>
		€	€
<b>Fixed assets</b>			
<i>Intangible assets</i>			
Development costs	21	21,413	38,543
Intellectual property rights		938	1,300
Website and software		-	131
		<u>22,351</u>	<u>39,974</u>
<i>Financial assets</i>			
Participation in group companies	22 23	<u>9,934,271</u>	<u>6,191,200</u>
Total fixed assets		<u>9,956,622</u>	<u>6,231,174</u>
<b>Current assets</b>			
<i>Receivables</i>			
Receivables from group companies	24 25	21,983,975	2,354,131
Taxes and social security charges	26	438,708	136,551
Other receivables, prepayments and accrued income	27	<u>769,082</u>	<u>10,996</u>
		23,191,765	2,501,678
<i>Cash and cash equivalents</i>			
Total current assets		<u>2,745,113</u> <u>25,936,878</u>	<u>6,124</u> <u>2,507,802</u>
Total assets		<u>35,893,500</u>	<u>8,738,976</u>

## EQUITY AND LIABILITIES

		09-30-2020		09-30-2019	
		€	€	€	€
<b>Equity</b>	28				
Issued share capital	29	49,987		37,086	
Share premium		28,952,525		-	
Legal and statutory reserves		(88,630)		237,285	
Other reserves		3,130,384		2,726,219	
Undistributed profit last year		-		2,655	
Undistributed profit for the year		<u>261,300</u>		<u>-</u>	
			32,305,566		3,003,245
<b>Provisions</b>					
Other provisions	30		3,333,752		1,069,466
<b>Current liabilities and accruals</b>	31				
Accounts payable		73,710		118,421	
Liabilities to group companies	32	100		4,290,271	
Payables relating to taxes and social security contributions		4,476		-	
Other liabilities and accrued expenses	33	<u>175,896</u>		<u>257,573</u>	
			254,182		4,666,265
<b>Total liabilities and group equity</b>			<u>35,893,500</u>		<u>8,738,976</u>

**COMPANY-ONLY PROFIT AND LOSS ACCOUNT FOR THE PERIOD 10-1-2019 UNTIL 09-30-2020**

	<u>10-1-2019 / 09-30-2020</u>		<u>10-1-2018 / 09-30-2019</u>	
	€	€	€	€
Result of participations		1,678,906		1,523,920
Company result after taxes		<u>(1,417,606)</u>		<u>(1,521,265)</u>
Net result after taxation		<u><u>261,300</u></u>		<u><u>2,655</u></u>

## NOTES TO THE COMPANY-ONLY FINANCIAL STATEMENTS

### *General notes*

#### **Specification of related party transactions of importance and not taken under market conditions**

All legal entities that can be controlled, jointly controlled or significantly influenced are considered to be a related party. Also entities which can control the company are considered to be a related party. In addition, statutory directors, other key management of Tony's Factory B.V. or the ultimate parent company and close relatives are regarded as related parties.

Transactions with related parties are disclosed in the notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Transactions with related parties which are outside the normal course of business include:

Chocolonely Foundation

Tony's Factory B.V. donates 1% of net revenue to the Chocolonely Foundation (Foundation premium). The Chocolonely Foundation finances projects that create pre-conditions that help to eliminate slavery in the cocoa industry and increase consumer awareness on this topic. The Chocolonely Foundation has an independent board. The funding policy is that funds from Tony's Factory B.V. will only be transferred to the Chocolonely Foundation on specific payment request. Payment requests are based on project status reports approved by the Foundation board. In this manner cash stays within Tony's Factory B.V. up until approved payment request is received. Tony's Factory B.V. makes provisions for amounts owed to the Chocolonely Foundation. No interest is applicable.

Cocoasource S.A.

Tony's Factory B.V. has a strategic partnership with Cocoasource S.A. Cocoasource S.A. is the buyer of our traceable and Fairtrade cocoa and selling party to cocoa-processor Barry Callebaut. Besides that Cocoasource S.A. is also a trusted advisor on market/ commodity developments and sourcing strategies. Cocoasource S.A. is participating in STAK 'De Gouden Wikkel'.

A Genuine Chocolate Company B.V.

A Genuine Chocolate Company B.V. is the majority shareholder in Tony's Factory B.V. (51.41% of the shares with voting rights). This shareholder has a current account with Tony's Factory B.V. that is used for non-business expenditures. This account is settled periodically based on a 4% interest rate agreement.

### **General accounting principles**

#### **The accounting standards used to prepare the financial statements**

General

The company-only financial statement is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving').

The accounting policies for the company financial statements and the consolidated financial statements are the same. Group companies are stated at net asset value in accordance with the accounting principles as disclosed below on this page.

For the accounting policies for the company balance sheet and income statement, reference is made to the notes to the consolidated balance sheet and income statement.

Section 402, Book 2 of the Dutch Civil Code.

The consolidated financial statements include the profit and loss account of Tony's Factory B.V. Therefore, the company profit and loss account of Tony's Factory B.V. has been abbreviated in accordance with Article 402 of Book 2 of the Dutch Civil Code.

## ***Accounting principles***

### **Financial assets**

Participations, over which significant influence can be exercised, are valued according to the net asset value method. In the event that 20% or more of the voting rights can be exercised, it may be assumed that there is significant influence.

The net asset value is calculated in accordance with the accounting principles that apply for these financial statements; with regard to participations in which insufficient data is available for adopting these principles, the valuation principles of the respective participation are applied.

If the valuation of a participation based on the net asset value is negative, it will be stated at nil. If and insofar as Tony's Factory B.V. can be held fully or partially liable for the debts of the participation, or has the firm intention of enabling the participation to settle its debts, a provision is recognized for this.

Newly acquired participations are initially recognized on the basis of the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the participation has changed since the previous financial statements as a result of the net result achieved by the participation is recognized in the company-only profit and loss account.

Participations over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

## NOTES TO THE COMPANY-ONLY BALANCE SHEET AS AT 30 SEPTEMBER 2020

### ASSETS

#### *Fixed assets*

##### **21 Intangible assets**

Movements in intangible fixed assets can be broken down as follows:

	Development costs	Intellectual property rights	Website and software	Total
	€	€	€	€
Balance as at 1 October 2019				
Acquisition costs	192,106	24,389	41,210	257,705
Accumulated amortization	(153,563)	(23,089)	(41,079)	(217,731)
Book value as at 1 October 2019	<u>38,543</u>	<u>1,300</u>	<u>131</u>	<u>39,974</u>
Movements				
Amortizations	(17,130)	(362)	(131)	(17,623)
Balance movements	<u>(17,130)</u>	<u>(362)</u>	<u>(131)</u>	<u>(17,623)</u>
Balance as at 30 September 2020				
Acquisition costs	192,106	24,389	41,210	257,705
Accumulated amortization	(170,693)	(23,451)	(41,210)	(235,354)
Book value as at 30 September 2020	<u>21,413</u>	<u>938</u>	<u>-</u>	<u>22,351</u>
Amortisation percentages	<u>20%</u>	<u>10%</u>	<u>20%</u>	

## 22 Financial assets

	Participation in group companies
	€
Balance as at 1 October 2019	6,191,200
Investments	60,000
Result	1,687,533
Addition to provision	2,264,286
Currency translation differences	<u>(268,748)</u>
Balance as at 30 September 2020	<u><u>9,934,271</u></u>

### Register of participations

Tony's Factory B.V. has direct interests in the following subsidiaries:

	Share in issued capital in %
Participation Tony's Chocolonely Nederland B.V., Amsterdam, the Netherlands	100.00
Participation Tony's Team B.V., Amsterdam, the Netherlands	100.00
Participation Tony's Chocolonely Publishing Company B.V., Amsterdam, the Netherlands	100.00
Participation Tony's Chocolonely Retail B.V., Amsterdam, the Netherlands	100.00
Participation De Vrede is Vast Goed B.V., Amsterdam, the Netherlands	100.00
Participation Tony's Chocolonely Bars B.V., Amsterdam, the Netherlands	100.00
Participation in group company Tony's Chocolonely Beyond B.V., Amsterdam	100.00
Participation in group company Tony's Chocolonely Homebase B.V., Amsterdam	100.00
Participation in group company Tony's Chocolonely Open Chain B.V., Amsterdam	100.00
Participation Tony's Chocolonely Inc. , Portland (OR), USA	100.00
Participation Tony's Chocolonely Ltd., London, UK	100.00
Participation in group company Tony's Chocolonely GmbH, Hamburg	100.00
Participation in group company Tony's Chocolonely Austria GmbH, Salzburg	100.00

<u>09-30-2020</u>	<u>09-30-2019</u>
€	€

### 23 Participation in group companies

Participation Tony's Chocolonely Nederland B.V.	8,941,780	5,603,125
Participation Tony's Chocolonely Inc.	858,938	493,122
Participation Tony's Team B.V.	100	100
Participation Tony's Chocolonely Publishing Company B.V.	100	100
Participation Tony's Chocolonely Retail B.V.	-	-
Participation Tony's Chocolonely Ltd.	97,681	94,753
Participation in group company Tony's Chocolonely GmbH	672	-
Participation in group company Tony's Chocolonely Austria GmbH	<u>35,000</u>	<u>-</u>
	<u><u>9,934,271</u></u>	<u><u>6,191,200</u></u>

	<u>2019 / 2020</u>	<u>2018 / 2019</u>
	€	€

**Participation Tony's Chocolonely Nederland B.V.**

Book value as at 1 October	5,603,125	3,693,634
Profit/(Loss)	3,330,028	1,909,491
Exchange rate differences	<u>8,627</u>	<u>-</u>
Book value as at 30 September	<u><u>8,941,780</u></u>	<u><u>5,603,125</u></u>

**Participation Tony's Team B.V.**

Book value as at 1 October	100	100
Balance movements	<u>-</u>	<u>-</u>
Book value as at 30 September	<u><u>100</u></u>	<u><u>100</u></u>

**Participation Tony's Chocolonely Publishing Company B.V.**

Book value as at 1 October	100	100
Balance movements	<u>-</u>	<u>-</u>
Book value as at 30 September	<u><u>100</u></u>	<u><u>100</u></u>

**Participation Tony's Chocolonely Retail B.V.**

Book value as at 1 October	-	-
Profit/(Loss)	(975,109)	(677,820)
Addition to provision	<u>975,109</u>	<u>677,820</u>
Book value as at 30 September	<u><u>-</u></u>	<u><u>-</u></u>

**Participation De Vrede is Vast Goed B.V.**

Book value as at 1 October	-	-
Profit/(Loss)	(61,859)	(51,359)
Addition to provision	<u>61,859</u>	<u>51,359</u>
Book value as at 30 September	<u><u>-</u></u>	<u><u>-</u></u>

**Participation Tony's Chocolonely Bars B.V.**

Book value as at 1 October	-	-
Profit/(Loss)	(1,021,171)	-
Addition to provision	1,227,318	-
Exchange rate differences	<u>(206,147)</u>	<u>-</u>
Book value as at 30 September	<u><u>-</u></u>	<u><u>-</u></u>

<u>2019 / 2020</u>	<u>2018 / 2019</u>
€	€

### Participation Tony's Chokolonely Inc.

Book value as at 1 October	493,122	247,020
Profit/(Loss)	416,593	223,816
Currency translation differences	<u>(50,777)</u>	<u>22,286</u>
Book value as at 30 September	<u>858,938</u>	<u>493,122</u>

### Participation Tony's Chokolonely Ltd.

Book value as at 1 October	94,753	-
Profit/(Loss)	14,752	119,790
Addition/ (deduction) to provision	-	(34,133)
Currency translation differences	<u>(11,824)</u>	<u>9,096</u>
Book value as at 30 September	<u>97,681</u>	<u>94,753</u>

### Participation in group company Tony's Chokolonely GmbH

Book value as at 1 October	-	-
Investments	25,000	-
Profit/(Loss)	<u>(24,328)</u>	<u>-</u>
Book value as at 30 September	<u>672</u>	<u>-</u>

### Participation in group company Tony's Chokolonely Austria GmbH

Book value as at 1 October	-	-
Investments	<u>35,000</u>	<u>-</u>
Book value as at 30 September	<u>35,000</u>	<u>-</u>

## **Current assets**

### **24 Receivables**

Accounts receivable all have a remaining term to maturity of less than one year, unless stated otherwise. The fair value of the accounts receivable is close to the carrying amount, given the current nature of the accounts receivable and the fact that, where necessary, provisions for bad debt have been recognized.

	<u>09-30-2020</u>	<u>09-30-2019</u>
	€	€
<b>25 Receivables from group companies</b>		
Receivable from Tony's Chocolonely Nederland B.V.	21,983,975	-
Receivable from De Vrede is Vast Goed B.V.	<u>-</u>	<u>2,354,131</u>
	<u>21,983,975</u>	<u>2,354,131</u>
<b>26 Taxes and social security charges</b>		
Value added tax	37,871	71,318
Corporate Income Tax	<u>400,837</u>	<u>65,233</u>
	<u>438,708</u>	<u>136,551</u>
<b>27 Other receivables, prepayments and accrued income</b>		
Net wages	4,000	-
Other amounts receivable	<u>765,082</u>	<u>10,996</u>
	<u>769,082</u>	<u>10,996</u>

## EQUITY AND LIABILITIES

### 28 Equity

	Issued share capital	Share premium	Legal and statutory reserves	Other reserve	Deferred tax liability
	€	€	€	€	€
Balance as at 1 October 2019	37,086	-	237,285	2,726,219	-
Result for the year	-	-	-	-	-
Appropriation of result	-	-	-	2,655	-
Addition in financial year	15,545	33,876,072	-	-	299,374
Withdrawal in financial year	-	(4,923,547)	-	-	-
Release R&D reserve	-	-	(65,794)	65,794	-
Provision for buy back of shares	-	-	-	36,342	-
Buy back of shares	(2,644)	-	-	-	-
Currency translation differences	-	-	(260,121)	-	-
Balance as at 30 September 2020	<u>49,987</u>	<u>28,952,525</u>	<u>(88,630)</u>	<u>2,831,010</u>	<u>299,374</u>

	Undistributed profit last year (incl. undistributed profit for the year)	Total
	€	€
Balance as at 1 October 2019	2,655	3,003,245
Result for the year	261,300	261,300
Appropriation of result	(2,655)	-
Addition in financial year	-	34,190,991
Withdrawal in financial year	-	(4,923,547)
Release R&D reserve	-	-
Provision for buy back of shares	-	36,342
Buy back of shares	-	(2,644)
Currency translation differences	-	(260,121)
Balance as at 30 September 2020	<u>261,300</u>	<u>32,305,566</u>

Share premium movements are caused by:

- Issue of certificates of shares for the employee participation plan: STAK 'De Gouden Wikkel' causes an increase of EUR 1,081,515.
- Buy back of certificates of shares of former participant of the employee participation plan: STAK 'De Gouden Wikkel' causes a decrease of EUR 197,947.
- Issue of certificates of shares from the investment deal causes an increase of EUR 32,794,558.
- Buy back of certificates of shares from the investment deal causes a decrease of EUR 4,839,547.

## 29 Issued share capital

The authorized share capital of Tony's Factory B.V. amounts to EUR 90,000, divided into 90,000 ordinary shares of EUR 1. Issued share capital consists of 49,987 ordinary shares.

### Provisions

<u>09-30-2020</u>	<u>09-30-2019</u>
€	€

## 30 Other provisions

Provision participations	<u>3,333,752</u>	<u>1,069,466</u>
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### Provision participations

Provision participation Tony's Chocolonely Retail B.V.	1,993,217	1,018,107
Provision participation De Vrede is Vast Goed B.V.	113,217	51,359
Provision intra-group holding Tony's Chocolonely Bars B.V.	<u>1,227,318</u>	<u>-</u>
	<u>3,333,752</u>	<u>1,069,466</u>

### Current liabilities and accruals

## 31 Current liabilities and accruals

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to their short-term character.

<u>09-30-2020</u>	<u>09-30-2019</u>
€	€

## 32 Liabilities to group companies

Liability to Tony's Chocolonely Nederland B.V.	-	4,290,171
Liability to Tony's Chocolonely Publishing Company B.V.	<u>100</u>	<u>100</u>
	<u>100</u>	<u>4,290,271</u>

An interest rate of 4% (2018-2019: 4%) per annum applies to the average intercompany balances. In respect of repayment and securities provided, no agreements have been made.

### Contingent assets and liabilities

#### Disclosure of off-balance sheet commitments

Tony's Factory B.V. has entered several rental obligations, the longest obligation until September 30th 2025.

The rent is EUR 1,462,014 excl. VAT for the rest of the period (rental obligation within 1 year amounts to EUR 701,759 and the rental obligation between 1 and 5 years amounts to EUR 760,255).

The bank guarantee is EUR 157,013.

Tony's Factory B.V. has entered into several strategic partnership arrangements, the longest and most significant obligation until 14 March 2024, with monthly expenses of EUR 46,511. This expenses relates to a share based payment transaction (which is equity settled), whereby the fair value of the grant (EUR 2.0 million which is based on relative percentage of the enterprise value of the company) is expensed over the service period.

### *Disclosure of contingent liabilities on behalf of group companies*

Tony's Factory B.V. has issued a declaration of joint and several liability as referred to in Section 403, Book 2, of the Dutch Civil Code in respect of its consolidated subsidiaries. The declaration concerns Tony's Chocolonely Nederland B.V., Tony's Chocolonely Retail B.V., Tony's Chocolonely Beyond B.V., Tony's Chocolonely Homebase B.V., Tony's Team B.V., Tony's Chocolonely Publishing Company B.V., Tony's Chocolonely Bars B.V., De Vrede is Vast Goed B.V. and Tony's Chocolonely Open Chain B.V.

Tony's Chocolonely Limited has taken the exemption from an audit for the periods ended 30 September 2019 and 2020 permitted by s479A of Companies Act 2006. In order to allow the subsidiary to take the audit exemption, the parent company, Tony's Factory B.V., has given a statutory guarantee, in line with s479C of Companies Act 2006.

### *The off-balance sheet liabilities relating to the fiscal unity*

Tony's Factory B.V. forms a fiscal unity with Tony's Chocolonely Nederland B.V., Tony's Chocolonely Publishing Company B.V. Tony's Team B.V. Tony's Chocolonely Retail B.V., Tony's Chocolonely Bars B.V. and De Vrede is Vast Goed B.V. for income tax and value added sales tax. Under the Tax Collection Act, the members of the tax group are jointly and severally liable for any taxes payable by the Group.

### *Off-balance sheet commitments relating to guarantees*

Tony's Factory B.V. has guaranteed the financing of a chair on the University of Utrecht regarding the curriculum Social Entrepreneurship (Stichting Leerstoel Social Entrepreneurship UU) for EUR 187,754 (2018-2019 EUR 250,000) up until 30 September 2022.

### *Disclosure of operating leases*

The obligations from operational leases at the end of the reporting period can be specified as follows:

*Assets and liabilities not recognised in balance sheets: Operating lease commitments: Breakdown maturity*

	<u>09-30-2020</u>	<u>09-30-2019</u>
	€	€
Minimal lease payments of operational leases with a maturity within one year	147,946	114,407
Minimal lease payments of operating leases with a maturity exceeding one year and within five years	<u>342,640</u>	<u>106,614</u>
Total of minimal lease payments of operating leases	<u><u>490,586</u></u>	<u><u>221,021</u></u>

### **Proposal appropriation of result**

The management of the company proposes to appropriate the result as follows:

The appropriation of profit for the period 1 October 2019 until 30 September 2020 in the amount of EUR 261,300 will be added to in full the other reserves.

This proposal needs to be approved by the General Meeting and has therefore not yet been processed in the annual accounts 1 October 2019 until 30 September 2020 for the company.

**NOTES TO THE COMPANY-ONLY PROFIT AND LOSS ACCOUNT FOR THE PERIOD 10-1-2019 UNTIL 09-30-2020**  
**Average number of FTE's**

10-1-2019 / 09-30-2020

	Active within the Netherlands	Active outside the Netherlands	Total
Average number of employees	-	-	-

10-1-2018 / 09-30-2019

	Active within the Netherlands	Active outside the Netherlands	Total
Average number of employees	-	-	-

<u>10-1-2019 /</u>	<u>10-1-2018 /</u>
<u>09-30-2020</u>	<u>09-30-2019</u>
€	€

***Other operating expenses***

Other staff expenses	683,033	545,730
Selling expenses	1,512	7,866
General expenses	<u>735,576</u>	<u>1,139,446</u>
	<u>1,420,121</u>	<u>1,693,042</u>

**Financial income and expense**

Other interest and similar income	-	23,478
Interest and similar expenses	<u>(44,091)</u>	<u>(110,503)</u>
	<u>(44,091)</u>	<u>(87,025)</u>

**Income tax expense**

Income tax income previous year	-	(944)
Income tax income from current financial year	<u>463,069</u>	<u>503,220</u>
	<u>463,069</u>	<u>502,276</u>

	%	%
Effective tax rate	29.94	24.81
	-	-

10-1-2019 / 09-30-2020	10-1-2018 / 09-30-2019
€	€

### Share in result of participations

Result from Tony's Chocolonely Nederland B.V.	3,330,028	1,909,493
Result from Tony's Chocolonely Retail B.V.	(975,109)	(677,820)
Result from De Vrede is Vast Goed B.V.	(61,859)	(51,359)
Result from Tony's Chocolonely Bars B.V.	(1,021,171)	-
Result from Tony's Chocolonely Inc.	416,593	223,816
Result from Tony's Chocolonely Ltd.	14,752	119,790
Result from Tony's Chocolonely GmbH	(24,328)	-
	<u>1,678,906</u>	<u>1,523,920</u>

Amsterdam, 25 November 2020

Tony's Factory B.V.

H.J. Beltman

A.W. Dijkstra

D.J. Terhorst

Board of directors

E.P. Bras

J.W. Verloop

B.D.L. Black

A.R. Balon

R.W. Schuman

Non-executive supervisory board

## **OTHER INFORMATION**

### **Provisions of the Articles of Association relating to profit appropriation**

#### *Provisions of the Articles of Association relating to profit appropriation*

According to article 18 of the company's Articles of Association, the profit is at the disposal of the General Meeting of Shareholders, which can allocate the profit wholly or partly to the general or specific reserve funds.

The company can only make payments to the shareholders and other parties entitled to the distributable profit for the amount the shareholders equity is greater than the paid up and called up part of the capital plus the legally required reserves.

### **Subsequent events**

The Company has evaluated events subsequent to September 30th, 2020 to assess the need for potential recognition or disclosure in this report. Such events were evaluated through the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or disclosure in the financial statements.



## *Independent auditor's report*

To: the general meeting and the supervisory board of Tony's Factory B.V.

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### *Report on the financial statements 2019/2020*

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#### *Our opinion*

In our opinion, the financial statements of Tony's Factory B.V. ('the Company') give a true and fair view of the financial position of the Company and the Group (the company together with its subsidiaries) as at 30 September 2020, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the accompanying financial statements 2019/2020 of Tony's Factory B.V., Amsterdam. The financial statements include the consolidated financial statements of the Group and the company-only financial statements.

The financial statements comprise:

- the consolidated and company-only balance sheet as at 30 September 2020;
- the consolidated and company-only profit and loss account for the year then ended; and
- the notes, comprising the accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

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#### *The basis for our opinion*

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of Tony's Factory B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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*PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands  
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, [www.pwc.nl](http://www.pwc.nl)*

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## ***Report on the other information included in the Annual FAIR Report***

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In addition to the financial statements and our auditor's report thereon, the Annual FAIR Report contains other information that consists of:

- the board of directors' report as included in chapter 8 – the numbers, the numbers;
- the information included in chapters 1 up and until 7, chapter 9 and the important appendices, and;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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## ***Responsibilities for the financial statements and the audit***

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### ***Responsibilities of the board of directors and the supervisory board for the financial statements***

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.



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### *Our responsibilities for the audit of the financial statements*

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 25 November 2020  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. R.P.R. Jagbandhan RA

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## ***Appendix to our auditor's report on the financial statements 2019/2020 of Tony's Factory B.V.***

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In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

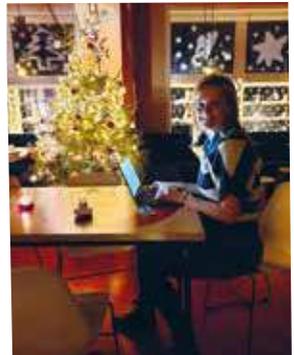
### ***The auditor's responsibilities for the audit of the financial statements***

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





**for the detail enthusiasts:**

# **IMPOR- TANT APPEN- DICES**

**explanation of Tony's non-financial KPIs: page 147**

**list of term that may confuse you: page 150**

**about this annual FAIR report: page 153**

**GRI Content Index: page 156**

**PwC Assurance Report: page 160**

## **important appendix 1: explanation of Tony's non-financial KPIs**

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

### **pillar 1: Tony's creates awareness 1**

1. **% of Choco Fans who are aware of the existence of modern slavery on cocoa farm.** The percentage of people living in the Netherlands, Germany, UK and USA who purchased at least one chocolate bar no more than 3 months before the interview, who said they had 'often' or 'sometimes' heard about the use of modern slavery in the cocoa sector. This KPI measures consumer awareness of the abuses in the cocoa industry in West Africa. Consumer awareness is needed to make 100% slave free the norm in chocolate. This is why the scope of the KPI was extended to all Gold Markets in 19/20.
2. **# of Serious Friends.** The number of people registered as Serious Friends worldwide (via our website). This KPI measures the number of people who feel particularly committed to Tony's mission and want to be actively involved in achieving it. Consumer support is essential if we are to change the industry. We cultivate serious relationships by, for example, regularly informing Serious Friends about the latest developments, ensuring that they are the first to be invited to our FAIR and asking them to sign petitions.
3. **# of participants in CLMRS awareness raising sessions conducted in cocoa communities of Tony's Open Chain partner cooperatives.** The number of participants who attended a session on illegal child labor and child rights violations presented by CLMRS community facilitators during the financial year. CLMRS community facilitators visit farmer households one by one. During these visits, they note the composition of the household and conduct awareness-raising activities. They also organize public sessions that can be attended by anyone in the community. This KPI measures the extent to which the members of our partner cooperatives have been informed about the hazards of illegal child labor. A person may have attended a session at home and a session in the community, so there may be an element of doublecounting. Thus, this year, we have changed the wording of the KPI to 'participants' instead of 'people'. We believe awareness-raising plays a crucial role in reducing illegal child labor.

### **pillar 2: Tony's leads by example**

4. **# of farmers supplying to Tony's Open Chain who receive additional premium:** The number of members of Tony's Open Chain partner cooperatives in Ghana and Ivory Coast who sold at least 1 kg of cocoa beans to Tony's and/or Tony's Open Chain mission allies during the financial year. The higher the number, the more farmers who benefit from a higher standard of living. This KPI shows that chocolate makers can be commercially successful without exploiting cocoa farmers. In order not to discriminate among its members, a cooperative may democratically decide to also distribute the premium to farmers who don't sell to Tony's. This is understandable. It means that more farmers benefit from the premium, even if each farmer receives a smaller amount. We continue to discuss issues such as the 'dilution' of the premium with the cooperatives. The scope of the KPI is those who supplied cocoa to Tony's Open Chain and received the premium.
5. **# of cooperatives with whom we have committed we have a 5-year Memorandum of Understanding.** The number of cocoa cooperatives in Ghana and Ivory Coast that supply beans to Tony's with which we had a 5-year Memorandum of Understanding at the end of the book year. This year the actual signing took place in the new book year, but the MoUs were confirmed in September 2020. This KPI is consistent with our social mission and the way we operate (5 Sourcing Principles). We form long-term relationships with farmers to provide them with greater security. This enables the farmers to make medium- and long-term investments. It also gives us a chance to raise awareness of illegal child labor and improve conditions on the farms and in the communities.

6. **Average score of Tony's Employee Quest-cheer-nair.** The total average of the scores for each aspect of Tony's Employee Quest-cheer-nair: (1) enthusiasm, (2) commitment, (3) good employment practice, (4) efficiency, (5) trust and (6) social security. The biannual survey is completed anonymously all Tony's employees that have a temporary or permanent contract, or are working as interns, and have been with the company at least 2 months at the time of the survey. We're crazy about chocolate, serious about people. And, when it comes to people, Team Tony's comes first. We believe that, if the best people work together to change the chocolate industry, it will create the kind of organization we want. This KPI monitors systematic feedback from our employees.
7. **% market share.** Percentage market share (in euros) based on chocolate bars and tablets sold in standard supermarkets in the Netherlands (including Aldi and Lidl). With the Netherlands being our more mature market. Till last year, the KPI only reflected our market share in the chocolate bar segment in the Netherlands. However, as the Netherlands is our most mature market, from this year, the scope of the KPI will include our market share in the whole chocolate category, since we are active in more segments than only the segment chocolate bars. 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 book 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. This book year, we also include in the scope of this KPI the Gold markets. In the US, the calculation of this KPI is slightly different. Percentage market share (in US dollars) "Total Supermarkets" is based on chocolate bars and tablets sold in all standard supermarkets in the United States including those in the Food Channel (e.g. Kroger, Ahold) as well as those in the Natural Channel (e.g. Sprouts & New Seasons) as well as Whole Foods Market. Percentage market share (in US dollars) "Natural Enhanced" is based on chocolate bars and tablets sold in all standard supermarkets in the United States including those in the Natural Channel (e.g. Sprouts & New Seasons) as well as Whole Foods Market.
8. **% of beans 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 1 of our 5 Sourcing Principles. Cocoa tends to be treated as a bulk product. We believe companies can only really be held accountable for abuses like modern slavery and illegal child labor on cocoa farms if they know exactly where their beans come from.
9. **% of Choco Fans who say Tony's is their favorite chocolate brand.** The percentage of people living in the Netherlands, UK, USA and Germany, who purchased at least 1 chocolate bar no more than 3 months before the interview, who said Tony's Chocolonely is their favorite chocolate brand. With our incredibly tasty chocolate, we lead by example and show that chocolate can be made differently: the way it tastes, the way we package it and the way we treat cocoa farmers.
10. **# of cocoa growing households who participate in the CLMRS.** The number of households that are members of one of Tony's partner cooperatives visited by CLMRS Community Facilitators. During these visits, the facilitators note the composition of the household and create a profile of each member of the household. They do this by posing questions to the head of the household and children between the ages of 5 and 17. If this reveals cases of illegal child labor, action can be taken to raise awareness and rectify the situation.
11. **# of illegal child labor cases detected and remediated at Tony's Open Chain partner cooperatives with CLMRS.** The number of children between the ages of 5 and 17 who said (in an interview with a community facilitator during the book year) they had been exposed to dangerous activities on a cocoa farm in the previous 12 months. We are not talking about human trafficking here. These children are members of a household that sells beans to Tony's and/or Mission Allies through Tony's Open Chain partner cooperatives in Ghana and Ivory

Coast. If illegal child labor is discovered, immediate action is taken to raise awareness and a sustainable solution is found. It is important that we find these cases of illegal child labor because only then can we do something about it. This year we also include the cases (# and %) of illegal child labor remediated in the scope of this KPI because remediation is a key part of the CLMRS and the goal is to remediate all cases of illegal child labor found at the earliest possible.

12. **% carbon footprint compensated.** We use the model developed by True Price to calculate average (Scopes 1, 2 and 3 (!)) carbon emissions from the cocoa farmer to the distribution centers in the Netherlands and the US. Every year, we update our sales figures for each type of bar. The model also calculates the total carbon emissions of all couverture. This accounts for 98% of our emissions. The remaining 2% is an estimate of data from the paste (for example, transport and sales). If there is a change in our product range or if we switch to another supplier, the model is reconfigured to reflect these changes. Justdigg.it is responsible for calculating the number of hectares of dry land that need to be re-greened to offset the carbon footprint of the Tony's Chocolonely bars sold, and organizes landscape restoration to offset the footprint areas maps.
14. **% of farms in the supply chain GPS mapped and assessed against protected areas.** This KPI has been added this year as having GPS mapping data of our farms is an important aspect of traceability. Having GPS mapped farms also provides crucial data on size of farms that links to our sourcing principles on productivity (yield is dependent on farm size) and higher price (as ability to earn a living income depends on size of farm and productivity among other variables). The GPS mapping data is assessed against protected area maps (as outlined by CFI) to ensure that there is no current deforestation in our supply chain.
15. **Amount of premium paid (per metric ton of cocoa) to reach Living Income Reference Price (LIRP).** This is a financial KPI that has been added this year under the non-financial KPI overview as it relates to our Sourcing Principle: paying a higher price. As part of pillar 2 Tony's leads by example we aim to pay a higher price so farmers can reach a living income. This is based on our Living Income Model, that we developed together with Fairtrade. As part of this KPI we want to evaluate the amount of premium paid per metric ton of cocoa to reach the Living Income Reference Price.

### **pillar 3: Inspire to act<sup>4</sup>**

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

\*This year we also expanded the definition of KPIs 4, 10 and 11 to include Tony's Open Chain partner cooperatives.

\*\*KPIs 14 and 15 also include Tony's Open Chain.

## **important appendix 2: 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!

**Big Choco:** The firms with the largest market share in the chocolate market, as well as the biggest cocoa grinders that buy and process cocoa.

**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 2 main certification systems in the cocoa trade are Fairtrade and Rainforest Alliance, the merger of UTZ and Rainforest Alliance.

**Country differential:** This is an extra amount per country added to the international market price for cocoa which takes differences in, for example, bean quality into consideration and forms a key element of the international price for cocoa.

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

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

**Choco Fans:** People who buy and love chocolate.

**Due diligence:** an examination of financial records before entering into a proposed transaction with another party. In plain English, due diligence means doing your homework.

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

**Euro's/dollars:** In this annual FAIR report we use euros and dollars. Do you think it is confusing? Maybe it is.. All impact issues and numbers are shown in dollars, which is the international standard. Being a Dutch Company, all Tony's Chocolonely financial reports in this annual FAIR report are in euros.

**Fairtrade minimum price differential:** 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 Ghana the prices are not made public, so this isn't paid out. In Ivory Coast, the government publicly regulates

the market. Here, cooperatives get compensation as soon as the export price falls below the minimum price. They get paid the difference.

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

**Farmgate price:** The price farmers in Ghana and Ivory Coast get for a kilo of cocoa. The governmental 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 (FOB):** The export price of cocoa in Ghana and Ivory Coast. Every country decides this itself.

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

**Harkin-Engel Protocol:** A pledge signed in 2001 by the big names in the international chocolate industry, who agreed to tackle all forms of illegal child labor. The initiative was launched by Senator Harkin and Representative Engel, hence the name.

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

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

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

**Living Income Differential (LID):** The overall objective of the Living Income Differential is a communal effort by the Ivorian and Ghanaian government to enhance farmer income, improving living standards and livelihoods of cocoa farmers. The LID of \$ 400/mt is imposed by the 2 governments for the sales of cocoa for the season of 20/21. It is imposed on top of the (regular) export price.

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

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

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

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

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

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

**Serious Friends:** 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.

### **important appendix 3: about this annual FAIR report**

Every year, we publish our annual FAIR report for our stakeholders. Our reporting cycle is aligned with the cocoa season in West Africa. This report covers the period from October 1, 2019 to September 30, 2020. As in previous years, this report has been prepared in accordance with the GRI Standards: Core option.

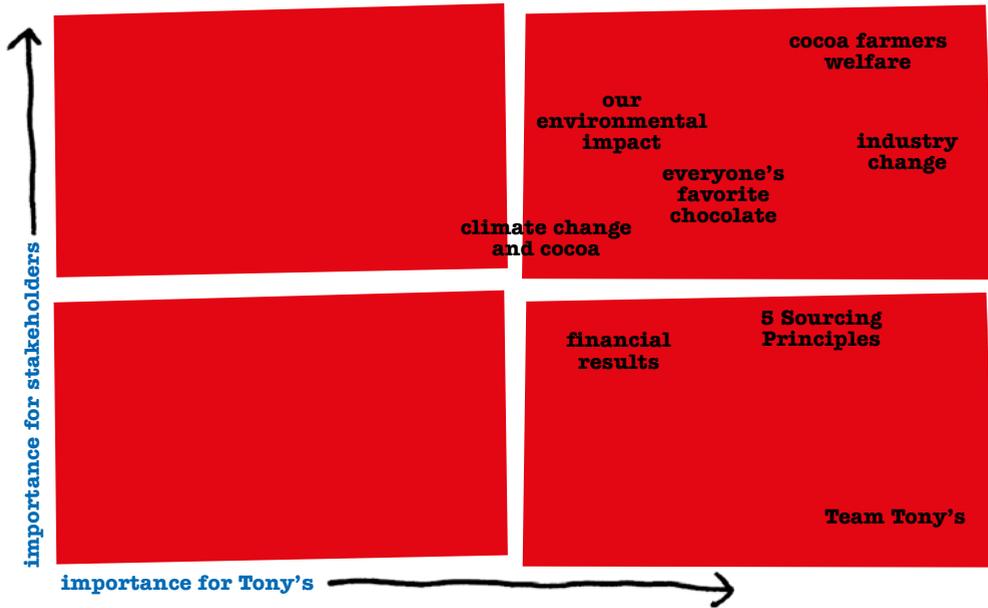
Aligned with our mission, the report focuses on the welfare of cocoa farmers and the changes in the industry. Of course, we also share information about our activities in our key markets and our impact on the environment.

If you are part of our cocoa supply chain, you are an important stakeholder for us. As before, we asked you – our different stakeholders – what you consider the main issues we need to address in our strategy and in our annual FAIR report. The table below highlights how we reached out to different people and what the key topics they mentioned were.

<b>stakeholder</b>	<b>how we engaged</b>	<b>key topics</b>
Team Tony's	employee Quest-CHEER-naire, online stakeholder survey	injustices in the cocoa sector, our vision and roadmap, last year's targets and results.
cocoa farmers	work visits, (online) consultations with cooperatives	long-term relationships, payment of a premium for beans, industry change, productivity, protection of children, community building.
Choco Fans (consumers)	online stakeholder survey, social media, Choco Fans survey	injustices in the cocoa sector, our vision and roadmap, Tony's environmental impact, consumer engagement.
cusiness choco friends	online stakeholder survey	injustices in the cocoa sector, ambitions and targets for the coming years, last year's targets and results.
customers (retailers)	online stakeholders survey, customer visits	injustices in the cocoa chain, our vision and roadmap, last year's targets and results.
suppliers	online stakeholder survey, regular conversations	our vision and roadmap, injustices in the cocoa sector, ambitions and targets for the coming years.

Before we launch the online stakeholder survey, we revisit the list of social, economic and environmental topics that we feel are important and add the ones we know are important to our stakeholders too. The 19/20 survey was open from mid-May to early June 2020.

Based on the results of the online stakeholder survey and other sources, we plot the key topics on our materiality matrix. In the matrix, we weigh the interests of our stakeholders against the topics we consider to be important. The draft matrix is first validated in a workshop with interim Choco Chief Frans and reviewed by all Choco Chiefs.



On this matrix, we only highlight the key topics, rather than distracting you (and ourselves) with the less important ones. On the horizontal axis, we plot the importance of topics to our business, rather than the other way around (significance of our impacts) which the GRI standards suggest. We believe the matrix would be quite similar anyways, due to our mission and impact driven business model. The topic that would certainly be in a different place is Team Tony's. But as we want them to know they're important, we've plotted it this way around.

From year to year, the key topics have not changed. These are cocoa farmer welfare and industry change. What did change is that the interest of external stakeholders in Team Tony's has declined, and we've changed the 2 environmental topics to better differentiate between the impact of climate on cocoa and farmers and the environmental impact of our chocolate.

Some of the topics plotted on the matrix are actually clusters of topics. The table below explains what the clusters include and what KPIs we use to measure our progress. As you'll see below, many of our KPIs stem from the GRI standards, which are used by Big Choco – and many other – companies around the world. And when there are no GRI standards that fit our objectives, we create our Tony's KPIs. In Appendix 1 you can find more detail about Tony's KPIs, including information on the scope and boundaries.

<b>cluster</b>	<b>topics</b>	<b>KPIs</b>
farmer welfare	child labor, forced labor, living income	TKPI4 # farmers receiving Tony's premium TKPI15 amount of premium paid LIRP GRI 408-1 child labor GRI 409-1 forced labor GRI 201-1 economic value distributed
industry change	what we're doing to change the industry (Big Choco, governments), mission partners, Tony's Open Chain	TKPI13 # tonnes sourced via Tony's Open Chain
our CO <sub>2</sub> impact	CO <sub>2</sub> emissions	GRI305-4 GHG emissions intensity TKPI12 CO <sub>2</sub> footprint compensated GRI 308-2 negative environmental impacts (dairy)
climate change & cocoa	decreasing area where cocoa can grow due to climate change, deforestation	GRI102-11 precautionary principle or approach GRI308-1 environ. screening new suppliers GRI 308-2 negative environmental impacts (deforestation) TKPI14 % farms GPS mapped
everyone's favorite chocolate	awareness	TKPI1 awareness of modern slavery
	activation	TKPI2 # Serious Friends
	market share	TKPI7 % market share
	market presence	TKPI9 % fave chocolate
	assortment	GRI102-6 markets served, 102-2 products
recipe for slave-free chocolate	traceable beans	GRI102-9 Supply chain
	long-term partnership	TKPI3 CLMRS participants
	quality and productivity	TKPI5 # coops with 5-year MoU
	famers	TKPI8 % of traceable beans
	higher price (also covered in farmer welfare)	TKPI10 # households participating in CLMRS TKPI11 # of detected illegal child labor cases GRI 414-1 social screening new suppliers GRI414-2 negative social impacts
financial results	turnover, profitability	GRI102-7 scale of org: turnover, profitability
Team Tony's	employee engagement	TKPI6 score Quest-CHEER-naire
	employee numbers	GRI 102-7 scale of org: employees
	diversity	GRI 102-8 employee info
	governance	GRI102-8 governance

GENERAL DISCLOSURES

<b>GRI Standard</b>	<b>Information</b>	<b>Description</b>	<b>Page/information</b>
GRI 101: Foundation 2016		Reporting principles	On the website, in the section about the Annual Fair report
GRI 102: General Disclosures 2016	Organizational profile		
	102-1	Name of the organization	7, 87
	102-2	Activities, brands, products, and services	backflap
	102-3	Location of headquarters	165
	102-4	Location of operations	24, 57
	102-5	Ownership and legal form	75, 87-88
	102-6	Markets served	57-60
	102-7	Scale of the organizations	24, 75-76, 78-81
	102-8	Information on employees and other workers	24
		a. Total number of employees by employment contract (permanent and temporary), by gender.	95 people with a permanent contract (55.8% women, 44.2% men), 32 people with a temporary contract (59.4% women, 40.6% men)
		b. Total number of employees by employment contract (permanent and temporary), by region.	95 with a permanent contract (78.9% in NL, 7.4% in the UK, 12.6% in the US, 1.1% in DACH), 32 people with a temporary contract (87.5% in NL, 0% in the UK, 3.1% in the US, 9.4% in DACH)
		c. Total number of employees by employment type (full-time and part-time), by gender.	87 people work full-time (52.9% women, 47.1% men), 40 people work part-time (65% women, 35% men)
		d. 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.	17 people were engaged through different types of contracts (interim, management). In addition, experts such as lawyers are used incidentally.
		e. Any significant variations in these numbers reported (such as seasonal variations).	No fluctuations, yet significant growth.
		f. 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 100% FTE.
	102-9	Supply chain	34
	102-10	Significant changes to the organization and its supply chain	21, 34, 37
	102-11	Precautionary Principle of approach	72
	102-12	External initiatives	14, 43, 73
	102-13	Membership of associations	International Cocoa Initiative, FairTrade, Food Service Netwerk, B Corp, Social Enterprise NL, EFMI, De Jonge Turken, Huurdercommissie Westergasfabriek
	Strategy		
	102-14	Statement from senior decision maker	4

Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	22, 33
Governance		
102-18	Governance structure	21, 22, 23 The management board is responsible for all decisions, including decisions about minimizing our negative environmental impact.
Stakeholder engagement		
102-40	List of stakeholder groups	153
102-41	Collective bargaining agreements	0%
102-42	Identifying and selecting stakeholders	153
102-43	Approach to stakeholder engagement	153
102-44	Key topics and concerns raised	153
Reporting practice		
102-45	Entities included in the consolidated financial statements	87
102-46	Defining report content and topic boundaries	153
102-47	List of materials topics	154-155
102-48	Restatement of information	There have been no restatements.
102-49	Changes in reporting	18-19, 149 We've added two new indicators ( TKPI 14 and 15) and we've adjusted the definition and/or scope of a few of our KPIs (TKPI 3, 4, 9, 11).
102-50	Reporting period	153
102-51	Date of most recent report	November 21, 2019
102-52	Reporting cycle	153
102-53	Contact point for questions regarding the report	165
102-54	Claims of reporting in accordance with the GRI Standards	153 This report has been prepared in accordance with the GRI Standards: Core option.
102-55	GRI content index	156-159
102-56	External assurance	13, 160-164 Derk Jan, Beancounter and Choco Chief, has selected PwC to assure the annual report for 19/20 and to review the non-financial performance indicators.

MATERIAL TOPICS

GRI Standard	Information	Description	Page
<b>Social Topics</b>			
<i>Farmer welfare: Abolishment of slavery</i>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	147, 148
	103-2	The management approach and its components	39, 40
	103-3	Evaluation of the management approach	40
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	9
GRI 409: Forced or Compulsory Labor 2016	409-1	operations and suppliers at significant risk for incidents of forced or compulsory labor	9
	TKP3	Number of participants of CLMRS awareness raising sessions conducted in cocoa communities of OC partner cooperatives	16-17
	TKPI10	Number of cocoa-growing households that participate in the CLMRS	17-18
GRI 414: Supplier Social Assessment 2016	TKPI11	Number of cases of child labor detected and remediated at Open Chain partner cooperatives with the CLMRS	18, 41
	414-1	New suppliers that were screened using social criteria	37
	414-2	Negative social impacts in the supply chain and actions taken	41
	a. Number of suppliers assessed for social impacts.	7 out of 7 cooperatives	
	b. Number of suppliers identified as having significant actual and potential negative social impacts.	7 cooperatives	
	c. Significant actual and potential negative social impacts identified in the supply chain.	387 child labour cases identified across the 7 cooperatives	
	d. Percentage of suppliers identified as having significant actual and potential negative social impacts with which improvements were agreed upon as a result of assessment.	"100% All child labor cases identified go through a remediation process."	
	e. Percentage of suppliers identified as having significant actual and potential negative social impacts with which relationships were terminated as a result of assessment, and why.	None, as child labor cases are remediated.	
<i>Team Tony's</i>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	148
	103-2	The management approach and its components	21, 25
	103-3	Evaluation of the management approach	25
	TKPI6	Average score Tony's Employee Quest-cheer-nair	19, 25
<b>Economic Topics</b>			
<i>Farmer welfare: Improvement of economic circumstances</i>			
GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	147-149
	103-2	The management approach and its components	31-32, 34-35
	103-3	Evaluation of the management approach	36, 83
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	87
	TKPI4	Number of farmers supplying to the Open Chain who receive the Open Chain premium	17
	TKPI5	Number of cooperatives with which we have a 5-year Memorandum of Understanding	19, 34
	TKPI8	Percentage of cocoa beans in our chocolate traceable up to our partner cooperatives	18, 35
	TKPI15	Amount of premium paid (per metric ton of cocoa) to reach Living Income Reference Price	19-20

**Transforming the industry**

GRI 103: Management Approach (2016)	103-1	Explanation of material topics and its Boundary	149
	103-2	The management approach and its components	47-49
	103-3	Evaluation of the management approach	49
	TKPI13	Number of tonnes of beans purchased through the Open Chain	20

**Everyone's favorite chocolate**

GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	148-1449
	103-2	The management approach and its components	63-70
	103-3	Evaluation of the management approach	63, 66
	TKPI7	Percentage market share achieved	19
	TKPI9	Percentage of chocofans that indicate Tony's as their favorite chocolate brand	19, 63
	TKPI11	Percentage of chocofans aware of the existence of slavery on cocoa farms	16
	TKPI2	Number of serious friends	16, 63

**Environmental Topics**

**Climate change and cocoa**

GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	149
	103-2	The management approach and its components	38-39
	103-3	Evaluation of the management approach	39
	TKPI14	Percentage of farms in the supply chain GPS mapped and assessed for deforestation risk	18, 20, 38-39

GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	38 This screening applies to cooperatives only. Both new coops were screened for deforestation. 100% of Asetenapa and 99% of Asunafo was GPS mapped.
	308-2	Negative environmental impacts in the supply chain and actions taken	39
		a. Number of suppliers assessed for environmental impacts.	7 out of 7 cooperatives
		b. Number of suppliers identified as having significant actual and potential negative environmental impacts.	7 cooperatives
		c. Significant actual and potential negative environmental impacts identified in the supply chain.	No cases of deforestation were identified.
	d. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which improvements were agreed upon as a result of assessment.	None	
	e. Percentage of suppliers identified as having significant actual and potential negative environmental impacts with which relationships were terminated as a result of assessment, and why.	None	

**Our CO<sub>2</sub> impact**

GRI 103: Management Approach 2016	103-1	Explanation of material topics and its Boundary	149
	103-2	The management approach and its components	72-73
	103-3	Evaluation of the management approach	73
GRI 305: Emissions 2016	305-4	GHG emissions intensity	72
GRI 308: Supplier Environmental Assessment 2016	308-2	Negative environmental impacts in the supply chain and actions taken	72
	TKPI12	Percentage of CO <sub>2</sub> footprint compensated	18



## *Assurance report of the independent auditor*

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

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## *Assurance report on the sustainability information in the annual FAIR report 2019/2020*

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### *Our conclusion*

Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information included in the annual FAIR report 2019/2020 of Tony's Factory B.V. does not present, in all material respects, a reliable and adequate view of:

- the policy and business operations with regard to sustainability; and
- the thereto related events and achievements for the year ended 30 September 2020 in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria as included in the section 'reporting criteria'.

### *What we have reviewed*

We have reviewed the sustainability information included in the annual report for the year ended 30 September 2020, as included in the following sections in the annual FAIR report (hereafter: "the sustainability information"):

- Foreword - These are hectic times..;
  - Chapter 1 - Fight for equality and fairness;
  - Chapter 2 - One team, one mission;
  - Chapter 3 - Serious about farmers: Equality in business relationships and real commitment;
  - Chapter 4 - Big Choco: Take responsibility for your entire supply chain
  - Chapter 5 - Governments: Let's create a level playing field
  - Chapter 6 - Retail: Changing the landscape
  - Chapter 7 - Choco Fans: Friendship makes the world go round
- This review is aimed at obtaining a limited level of assurance.

The sustainability information comprises a representation of the policy and business operations of Tony's Factory B.V. (hereafter: "Tony's") with regard to sustainability and the thereto related business operations, events and achievements for the year ended 30 September 2020.

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### *The basis for our conclusion*

We have performed our review in accordance with Dutch law, which includes the Dutch Standard 3810N 'Assuranceopdrachten inzake maatschappelijke verslagen' ('Assurance engagements on corporate social responsibility reports'), which is a specified Dutch Standard that is based on the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. Our responsibilities under this standard are

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*PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands  
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, [www.pwc.nl](http://www.pwc.nl)*

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further described in the section 'Our responsibilities for the review of the sustainability information' of this assurance report.

We believe that the assurance evidence 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 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (VIO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other for the engagement relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Dutch Code of Ethics).

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

### *Reporting criteria*

The sustainability information needs to be read and understood in conjunction with the reporting criteria. The board of directors of Tony's is solely responsible for selecting and applying these reporting criteria, taking into account applicable law and regulations related to reporting.

The reporting criteria used for the preparation of the sustainability information are the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the internally applied reporting criteria, as disclosed in Important Appendix 1 of the annual FAIR report. The absence of an established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

### *Limitations to the scope of our review*

The sustainability information includes prospective information such as expectations on ambitions, strategy, plans and estimates and risk assessments. Inherently, the actual results are likely to differ from these expectations. These differences may be material. We do not provide any assurance on the assumptions and the achievability of prospective information in the sustainability information.

The links to external sources or websites in the sustainability information are not part of the sustainability information reviewed by us. We do not provide assurance over information outside of this the annual FAIR report.

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### *Emphasis of matter*

We draw attention to the disclosure in the sustainability information on the number of cases of illegal child labor included on page 40 in the annual FAIR report, which explains that there are inherent circumstances that cause the amount of reported cases of illegal child labor in reality to be possibly higher than the number registered in the Child Labour Monitoring and Remediation System ('CLMRS'). Our conclusion is not modified in respect of this matter.



## ***Responsibilities for the sustainability information and the review Responsibilities of the board of directors and the supervisory board***

The board of directors of Tony's is responsible for the preparation of reliable and adequate sustainability information in accordance with the reporting criteria as included in section 'reporting criteria', including the identification of stakeholders and the definition of material matters. The choices made by the board of directors regarding the scope of the sustainability information and the reporting policy are summarized in Important Appendix 1 of the annual FAIR report. The board of directors is responsible for determining that the applicable reporting criteria are acceptable in the circumstances.

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

The supervisory board is responsible for overseeing the company's reporting process on the sustainability information.

### ***Our responsibilities for the review of the sustainability information***

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

Procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.

### ***Procedures performed***

We have exercised professional judgement and have maintained professional scepticism throughout the review, in accordance with the Dutch Standard 3810N, ethical requirements and independence requirements.

Our procedures included amongst others:

- Performing an analysis of the external environment and obtaining insight into relevant social themes and issues and the characteristics of the company.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information. This includes the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the board of directors.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review.
- Identifying areas of the sustainability information with a higher risk of misleading or unbalanced information or material misstatement, whether due to fraud or errors. Designing and performing further assurance procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing management and/or relevant staff responsible for the sustainability strategy, policy and results;
  - Interviewing relevant staff responsible for providing the information for, carrying out internal control procedures on, and consolidating the data in the sustainability information.
  - Obtaining assurance evidence that the sustainability information reconciles with underlying



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

We communicate with the supervisory board on the planned scope and timing of the engagement and on the significant findings that result from our engagement.

Amsterdam, 25 November 2020  
PricewaterhouseCoopers Accountants N.V.

Original has been signed by drs. R.P.R. Jagbandhan RA

# THANK YOU

We've reached the finish line.. thanks to our fabulous team:

Fire starter and Serious Communications rock **Sabrina** and her ability to navigate the ups and downs. Like a spider in a web attending to everything and more. Firm but fair, and always 100% focus on our mission. Instant sunny mood guaranteed. Love you!

Impacticular Story Teller **Belinda**.

New in the team, but writing, reading, intercepting and completing like she's never done otherwise. Great job, Belinda, just great!

Let's hear it for Choco Evangelist **Ynzo**. Also a new kid on the block, but very pleased with it. What would we do without you? Ynzo is always there. Bullseye!

We couldn't make the French FAIR report without our French Cocoa Puff **Marie**. You really rock. Merci merci beaucoup! And how about our 1<sup>st</sup> German FAIR report? Vielen Dank frau **Eske**! Wir sind sehr glücklich.. We have a special place in our hearts for you. Impact Navigator **Pavithra**: we know how much work this report involved

for you and fellow Tony's. Quality and flexibility **Pavi**.. twelve points, douze points.

Movement Maker **Spong** knows how to get things going and has her eye on it. Thank youuuuuuuuuuu!

When it comes to impact, walking encyclopedia and Impactus Prime **Paul S** is our go-to guy. Thanks for the constructive criticism and for making sure we didn't forget a thing.

Budget Buddy **Teun**: revenue and finances, beans and premium.. we can count on him!

**Klink**: the ever-imperturbable, willful and watchful eye over the creation and visualization of our journey. To know him is to love him, our very own Mr. T. Choco editor **Elles Rozing**: solid as a rock, eye on the rolling schedule and guardian of Only Tony's language. Hug! Catalyst for Positive Change **Marjolein Baghuis**: from stakeholder analysis to GRI standards.. your upbeat critical input is an asset throughout the entire process. Thanks a zillion!

**Henk Jan, Anne-Wil, Derk-Jan, Frans, Thecla, Willemijn, Erik,**

# ANK uuu!

**Robert, Ben, Line, Joke, Tim, Adam, Jan, Carline, Sophie, Chiel, Maudi, Aidaly, Audrey, Eveline, Nicola, Nicole, Ivan, Twerrel, Abby** and everyone else for sizeable chunks, bits and pieces, input and comments.

**Def. graphic design:** composition and layout in not 1, 2, 3, but 4 languages this year. Pulled it off again!  
**Peeps of Livewords:** thank you berrry berrry much for taking care of the translations!

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

Our contact details are as follows:

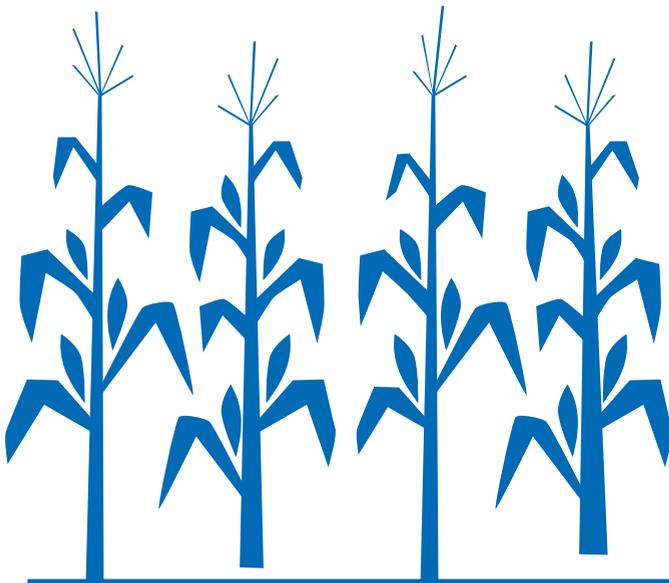
Tony's Chocolonely Homebase :  
Pazzanistraat 1, Amsterdam | [mailme@tonyschocolonely.com](mailto:mailme@tonyschocolonely.com)  
Chocofoon: +31 20 20 512 00

In the US: [mailus@tonyschocolonely.com](mailto:mailus@tonyschocolonely.com)  
In Ireland: [MailIRE@tonyschocolonely.com](mailto:MailIRE@tonyschocolonely.com)  
In the UK: [mailuk@tonyschocolonely.com](mailto:mailuk@tonyschocolonely.com)  
In Germany: [dach@tonyschocolonely.com](mailto:dach@tonyschocolonely.com)

Our contact details in Belgium, Sweden, Norway, Finland and France can be found on our website at [tonyschocolonely.com](http://tonyschocolonely.com). We'll be seeeeeing you!

done!

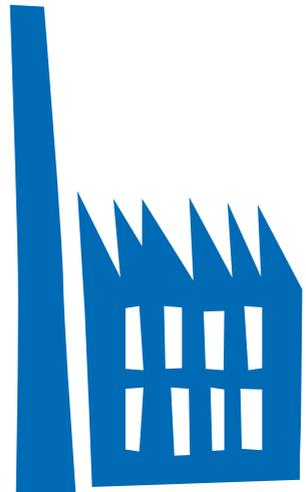




Hey! Psst! Did you know that – in a former life – the pages of this year’s annual FAIR report grew on fields as sugar cane leaves and corn cobs? After the harvest, the waste product was combined with a whole bunch of other leaves and stalks, and eventually turned into the paper for this annual FAIR report.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

♥ ♥ ♥ **PRINTED ON PAPERWISE ...**

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



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

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**2019** Oh Yeah! Our letters expanded this 3 super new flavors in S: milk 32% caramel white 28% and white pecorn.

### October 2019

Jingle bars, jingle bars.. there's a Christmas tree in your bar! Ho, ho ho. And maybe it'll go up the tree too.. Have you got one hanging yet?



ne  
e  
ster flavor: creamy  
almond paste

### January 2020

Especially for Valentony's: milk 32% rose raspberry. That's 2 in 1: a bouquet of pink roses and a bar of chocolate. That's a lot of love to share! Who do you nibble the chocolate heart out with?



### Disclaimer:

Not all of these bars are available outside of the Netherlands at the moment. But be on the lookout for future releases. If you are a real Choco Fan, that is.

**2020**  
Now on, our Tiny Tony's are packed in pouches so you can share them more any time of the day, with whoever you with your besties, your colleagues, or neighbours. For snacking together or for appetite.. It's your tiny paaaaarty!



you guys make  
me shine.. !



aw..



you're all  
stars to me

