

COLLABORATING ON COCOA



Tony's Open Chain impact report 2021/2022

1st October 2021 – 30th September 2022

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General information about the cocoa sector

Ghana and Côte d'Ivoire are in West Africa. [Côte d'Ivoire is the world's largest producer of cocoa \(more than 40% of world output\) and Ghana is the second biggest producer \(at least 20% world output\).](#) Tony's Open Chain sources from these two countries because that's where most of the world's cocoa comes from and because this is where the human rights issues are the most prominent. Instead of turning a blind eye and choosing the easy way out, Tony's Open Chain goes where the problems are, to solve them.

The issues in the cocoa industry

In the chocolate industry, a few big companies make massive profits. Meanwhile, smallholder cocoa farmers are underpaid for their cocoa. Most of these farmers do not earn a living income which means they often live in poverty which leads to deforestation and child labour ([Cocoa Barometer 2020](#)).



Interventions to combat poverty are needed immediately and the first quick fix is a higher cocoa price. Cocoa farmers should have the right to maintain a decent standard of living for all members of their households. A living income is set at

\$1.96 per person per day in Ghana and \$2.45 in Côte d'Ivoire (Living Income Community of Practice, 2022). Excessively low cocoa prices lead to a farmer income of only approximately \$0.78 per day (Cocoa Barometer, 2018).



A low cocoa price means many farmers remain in poverty. Which is why they're driven to drastic measures to make ends meet: roughly 1 in 2 children in cocoa growing households are involved in child labour.

1.56 million children work illegally in cocoa in Ghana and Côte d'Ivoire during the 2018/19 season ([NORC report, 2020](#)).



When cocoa prices are so incredibly low, farmers try to make more money by selling more cocoa. That is possible by planting cocoa trees in protected forest areas, which means natural forests are replaced by cocoa trees. Cocoa is the leading cause for illegal deforestation and it is widespread in West Africa (Cocoa Barometer 2020). Longer dry seasons and increasing temperatures mean farmers are already feeling the

consequences of climate change. Earning a living income allows farmers to earn more from their own land by investing more in their farms – without needing to cut into forests (Schroth et al. 2016 SciTotEnv, Bunn et al. 2018 CL Report).



General information about the impact model of Tony's Open Chain

The 5 Sourcing Principles

Tony's Open Chain leads by example through the 5 Sourcing Principles by putting human rights at the core of how we do business. The 5 Sourcing Principles stand to practically address the complex issue of poverty in cocoa through concrete solutions and long-term



opportunities. They are an integrated approach that aims to end structural poverty at the very beginning of the supply chain. All 5 Principles must be combined to ensure long-term change and more equal business relationships with suppliers in West Africa.

Traceable beans

All 5 Sourcing Principles combine to guarantee fair cocoa. It all starts with traceability across the entire supply chain. This is key to ultimately taking responsibility. Because harvesting cocoa beans doesn't happen in a vacuum. We believe every chocolate company is responsible for knowing the social, environmental and logistical story behind each ounce of cocoa that ends up in their chocolate. (Find out more about environmental traceability/GPS mapping on p. 20 and about social traceability/CLMRS on p. 17).

Traceable beans: operational traceability

For operational traceability, Tony's Open Chain uses the Beantracker. The software system is built with [ChainPoint technology](#). The Beantracker digitally logs the data collection from farmer delivery to partner cooperative to chocolate production and includes a monitoring tool for all actors in the supply chain to see where the beans are at any moment in time.

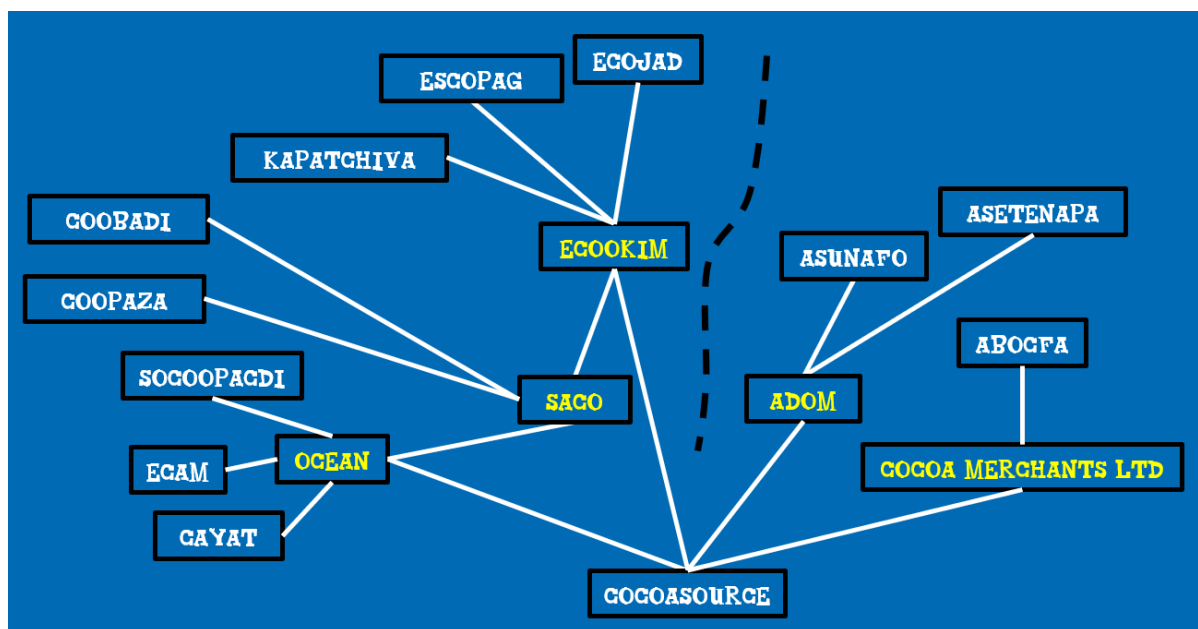
Ghana and Côte d'Ivoire work slightly differently concerning the governmental regulations of cocoa export. The farmers deliver their cocoa beans to the cooperative's warehouse, where the beans are put into sacks and a digital record is made. The sacks are then transported by truck to the local exporter's warehouse. In Ghana the exporter is Cocoa Merchants Ghana Limited (CML) or ADOM (that's the License Buying Company set up by the partner co-op Asunafo); in Côte d'Ivoire it's either Ecookim or Ocean. Our international exporter CocoaSource then arranges for the sacks to be loaded into containers in the ports of Tema, Abidjan, and San Pedro, for them to be shipped to Antwerp. Ocean and Ecookim also provide beans to SACO in Abidjan, who make cocoa butter which is then shipped to Europe. In Antwerp, the sacks of beans are stored in large warehouses, until Barry Callebaut uses the beans to make couverture chocolate.

Higher price

A substantially higher cocoa price is required to enable farmers to earn a living income – which is a human right. That is why one of our Sourcing Principles is paying a higher price and we pay a Living Income Reference Price (find out more on p. 11). It is the first step towards structurally addressing poverty.

Strong farmers

Cocoa cooperatives allow farmers to stand stronger together. Being in constant contact with the partner cooperatives means that challenges are seen through together, from beginning to end. The partner cooperatives are incredibly important mission partners: they're the implementors who deliver positive impact to each and every farmer. Together the aim is to make the work of cocoa farming safe and sustainable.



Info about the Ghanaian partner co-ops

	ABOCFA	Asunafo	Asetenapa
Total # farmers members	1,063	1,907	515
% women farmers	25%	43%	25%
# farmer who supplied to Tony's Open Chain	1,059	1,240	448
total Tony's Open Chain bean volume capacity (mt)	1,147	4,000	300
Bean volume sold via Tony's Open Chain (mt)	400	806	219

Info about the Ivorian partner co-ops

	Cayat	ECAM	Socoopacdi	ESCOPAG	Kapatchiva	Ecojad
Total # farmer members	1,073	2,465	1,851	1,038	2,782	2,888
% women farmer members	14%	16%	8%	6%	10%	6%
# farmer who supplied to Tony's Open Chain	1,067	2,422	1,822	1,038	2,782	2,885
total Tony's Open Chain bean volume capacity (mt)	2,101	7,200	2,026	1,559	4,541	4,595
Bean volume sold via Tony's Open Chain (mt)	1142	3,419	1,215	998	3,607	2,196

*in 22/23, two new partner cooperatives were added in Côte d'Ivoire: Coobadi and Coopaza.

The long-term

Long-term joint commitment between Tony's Open Chain mission allies and partner cooperatives ensures income security and enables farmers to plan properly and make strong financial decisions when investing or recouping costs. Our partnerships guarantee at least 5 years of sales at a higher price with every partner cooperative by setting up a 'Memorandum of Understanding' – a five-year cooperation agreement after a one-year trial period. This includes a five-year strategic plan. This plan contains a clear mission, vision and a joint strategy for the coming years. The five-year plan is owned by the partner co-op and an excellent basis for the annual plans and a great gauge for keeping an eye on how things are going. In the annual plans, specific activities and projects are outlined which form the basis for mutual evaluation at the end of each cocoa season.

Quality and productivity

This Sourcing Principle looks at productivity, diversification and quality programs to improve yields without increasing farm size or illegal labour. Sustainable practices like composting and pruning make for healthier farms, meaning higher yields of high-quality cocoa. (More on p. 13)

Tony's Open Chain key performance indicators at a glance

Note that the KPI numbering follows Tony's Chocology's KPI reporting numbering system. Not all KPIs are relevant for Tony's Open Chain which explains the gaps in numbering in the following overview.

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

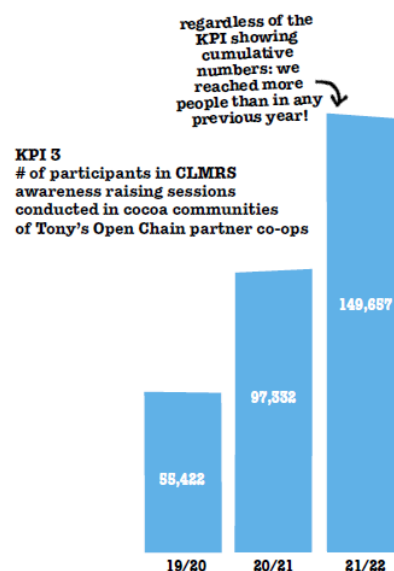
Scope:

- Choco Fans are defined as: People living in the Netherlands, Germany, UK & Ireland and the US who purchased at least one chocolate bar no more than 3 months before the survey conducted by a third party.
- % of Choco Fans who are aware of the existence of modern slavery on cocoa farms defined as: those Choco Fans who said they had 'often' or 'sometimes' heard about the existence of modern slavery in the cocoa sector.
- Issue awareness among consumers is needed so that consumers can make more informed buying decisions and 100% slavery free becomes the norm in chocolate.
- *Disclaimer: this KPI only covers Tony's Gold markets, namely the Netherlands, Germany, UK & Ireland and the US.*

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

This KPI measures the extent to which the members of the partner cooperatives have been informed about child labour.

Scope: The number of participants (men, women and children; cocoa producers or community members) who attended public awareness raising session(s) on child labour and child rights violations presented by CLMRS community facilitators since the beginning of the project. This is a cumulative KPI. Awareness-raising plays a crucial role in reducing child labour. (More on p. 17 and 18)



KPI 5
of partner cooperatives with whom Tony's Open Chain has committed to a 5-year Memorandum of Understanding

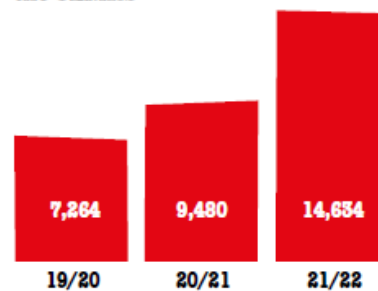


KPI 5. # of partner cooperatives with whom Tony's Open Chain has committed to a 5-year Memorandum of Understanding. The KPI tracks the number of cocoa cooperatives in Ghana and Côte d'Ivoire that supply beans to Tony's Open Chain with which we had a 5-year Memorandum of Understanding (MoU) at the end of the book year. We form long-term relationships with Tony's Open Chain partner cooperatives which means they can plan for a longer-term horizon and make investments further into the future.

KPI 10. # of cocoa growing households who participate in the CLMRS.

This KPI tracks the number of farmer households that are members of one of Tony's Open Chain's partner cooperatives who are registered in CLMRS and who have been interviewed at least once by a CLMRS community facilitator since the respective partner cooperative started implementing the CLMRS. During these visits, the CLMRS community facilitators note the composition of the household and create a profile of each member of the household and assess the risk of child labour. This mapping is crucial as the household is the basic setting to understand circumstances that possibly lead to child labour. Only when understanding the underlying situation can child labour be tackled sustainably in the long term. (More on p. 17 and 18)

KPI 10
of cocoa growing households in Tony's Open Chain partner cooperatives who participate in the CLMRS

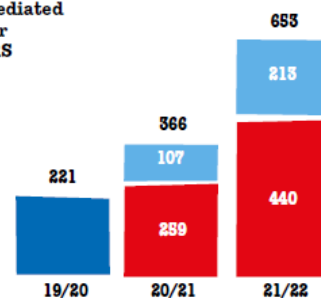


KPI 11. # of child labour cases detected and remediated at Tony's Open Chain partner cooperatives with CLMRS.

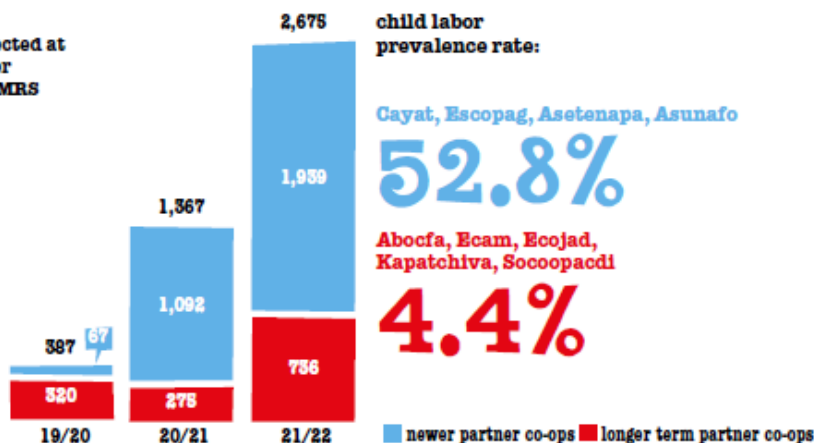
Scope: This KPI tracks the number of children between the ages of 5 and 17 who were found to be in child labour on a cocoa farm in the previous 12 months. We also include the cases of child labour remediated in the scope of this KPI. Remediation of a case is defined as a case that is closed because a child is no longer in child labour due to receiving remediation support and/or due to no longer being a child. Remediation is a key part of the CLMRS, and the goal is to ultimately close all cases of child labour found. (More on p. 17 and 18)

KPI 11.2
of cases of child labor remediated at Tony's Open Chain partner cooperatives with the CLMRS

Remediated case = case closed, the child is out of child labor.



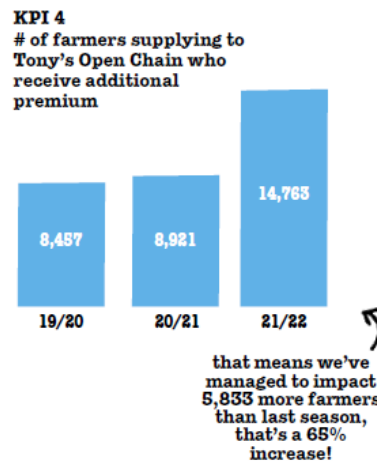
KPI 11.1
of child labor cases detected at Tony's Open Chain partner cooperatives with the CLMRS



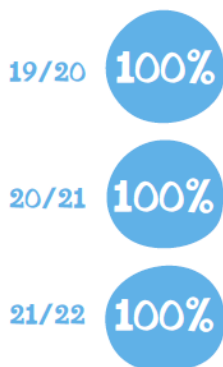
KPI 4. # of farmers supplying to Tony's Open Chain who receive additional premium. We believe in supply chains without anonymity. Each person in our supply chain matters to our success, so we want to know who they are. An increase in the number of farmers who receive an additional premium means an increase in the number of farmers who are enabled to earn a living income and therefore a decrease in overall poverty.

Scope:

- Farmers who are members of Tony's Open Chain partner cooperatives in Ghana and Côte d'Ivoire who sold at least 1 kg of cocoa beans to Tony's and/or Tony's Open Chain mission allies during the book year.
- All farmers who sold cocoa to Tony's Open Chain receive an additional premium on top of the farmgate price.
- The additional premium includes the Fairtrade premium, Fairtrade minimum price differential (if applicable), the living income premium and the co-op management fee.



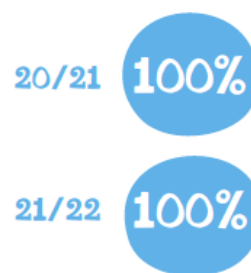
KPI 8.1
% of cocoa in our chocolate that can be traced to Tony's Open Chain partner cooperatives



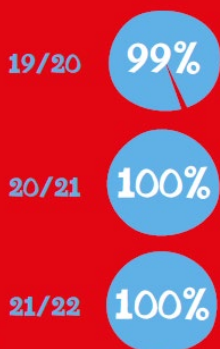
KPI 8. % of cocoa in Tony's chocolate that can be traced to Tony's Open Chain partner cooperatives. % of cocoa in Tony's Open Chain couvertures/liquid chocolate for Tony's Open Chain mission allies traceable up to Tony's Open Chain partner cooperatives. This KPI shows the physical traceability of beans, from the partner cooperatives to the companies that co-manufacture Tony's bars. It tracks the percentage of traceable cocoa beans in all couverture produced during the book year. The KPI also shows the physical traceability of beans from the partner cooperatives to the Tony's Open Chain couvertures produced for mission allies during the book year. Traceability means companies know where their

beans come from and under which labour and environmental conditions the beans were produced. This sums up what Tony's Open Chain mission allies are taking full responsibility for.

KPI 8.2
% of cocoa in Tony's Open Chain couvertures/liquid chocolate for our mission allies traceable up to Tony's Open Chain partner cooperatives



KPI 14
% of farms in the supply chain GPS mapped and assessed against protected areas



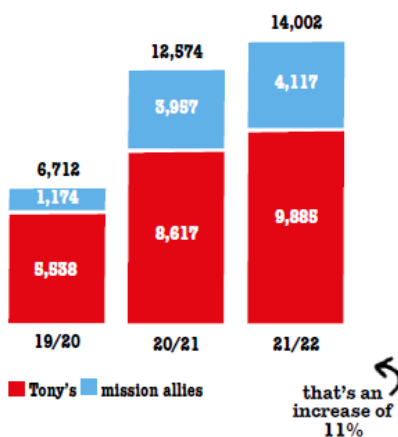
KPI 14. % of farms in the supply chain GPS mapped and assessed against protected areas. This KPI includes the percentage of farms that have been GPS mapped. The GPS mapping data is assessed against protected area maps (as outlined by the Cocoa Forest Initiative) to ensure that there is no current or potential risk of deforestation in our supply chain. Currently, the scope of the KPI includes GPS centroids (centre points of the farms). However, we also check that all plantations of all members of the partner cooperatives, including those farmers who delivered to Tony's Open Chain have GPS polygon data. In 21/22, GPS polygon data is available for 98.5% of all plantations in the Tony's Open Chain supply chain. (More on p. 21)

KPI 15: Amount of premium paid (per metric ton of cocoa) to reach the Living Income Reference Price (LIRP). This is a financial KPI that has been added under the non-financial KPIs as it relates to the Sourcing Principle: paying a higher price. The higher price that enables a living income is defined based on the Living Income Model. As part of this KPI we evaluate the amount of premium paid per ton of cocoa to reach the Living Income Reference Price. The additional premium includes the Fairtrade premium, Fairtrade minimum price differential (if applicable), the living income premium. It does not include the co-op management fee which is paid on top of the Living Income Reference Price. This ensures we walk the talk of paying a higher price for cocoa. (More on p. 11 and 12)

KPI 15
Amount of premium paid (per metric ton of cocoa) to reach Living Income Reference Price



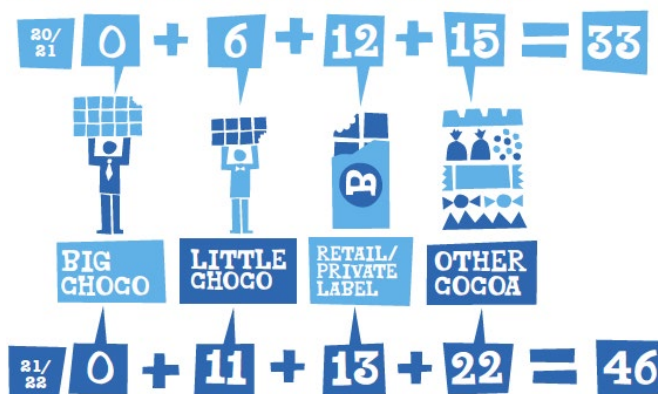
KPI 13
of metric tons of beans purchased through Tony's Open Chain



KPI 13: # metric tons of beans purchased through Tony's Open Chain. This KPI measures the number of metric tons of cocoa beans purchased by Tony's Open Chain mission allies via the 5 Sourcing Principles during the book year. We want all cocoa to be sourced via the 5 Sourcing Principles. Volume is our biggest lever for change. Thus, this is a crucial KPI to measure how much cocoa is sourced via the 5 Sourcing Principles, not just by Tony's but also by Tony's Open Chain mission allies.

KPI 16: # of Tony's Open Chain conversations with potential mission allies. We track this KPI because the process interval between a future mission ally expressing interest in Tony's Open Chain, to becoming a full-fledged mission ally, has several steps and tracking this pipeline allows us to keep tabs on both scalability and potential volumes sourced through Tony's Open Chain. Tracking this pipeline also helps us identify the barriers that prevent potential mission allies from converting. We also follow the number of interactions with potential mission allies so we can continually vet and revise onboarding processes, and better understand our continued journey towards mission completion. Every conversation we have with a potential mission ally has the potential to inspire another company to act.

KPI 16
of Tony's Open Chain conversations with potential mission allies



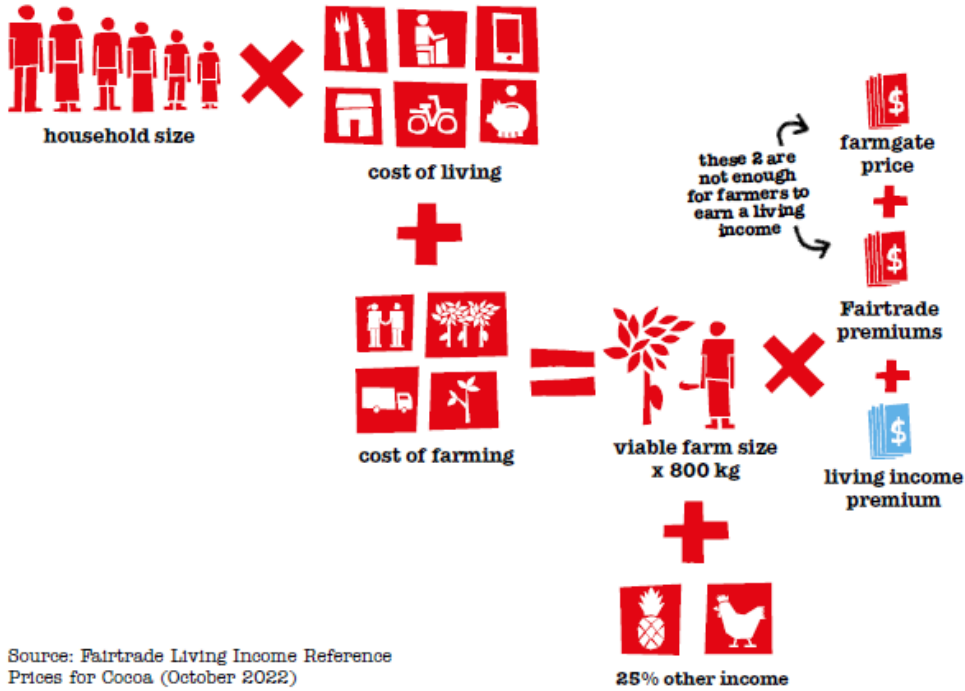
Living Income



Cocoa farmers not being able to earn a living income leads to poverty, which is the root cause of child labour and illegal labour in cocoa. In order to move out of poverty, it is important cocoa farmers earn a living income. A living income is the net annual income a household needs to afford a decent standard of living for all its members ([Living Income Community of Practice](#)). Tony’s Open Chain pays a significantly higher price for cocoa as a means of directly addressing these systemic issues.

The Living Income Model

The Living Income model calculates the Living Income Reference Price – the price for cocoa that enables farmers to earn a living income. The model has a holistic view where productivity increase, income diversification, and paying a higher price are needed to get farmers to a living income.



Factors of the Living Income Model

	Côte d'Ivoire	Ghana
Household size	8	6
Cost of living (per person per day)	\$2.45	\$1.96
Cost of farming (fixed per hectare)	\$563	\$462
Viable farm size	4.4ha	2.74ha
Productivity target (per hectare)	800kg	800kg
Income from other activities (per person per day)	\$0.62	\$0.54

Find more detailed insights and all relevant footnotes [here](#).

Living Income Reference Price

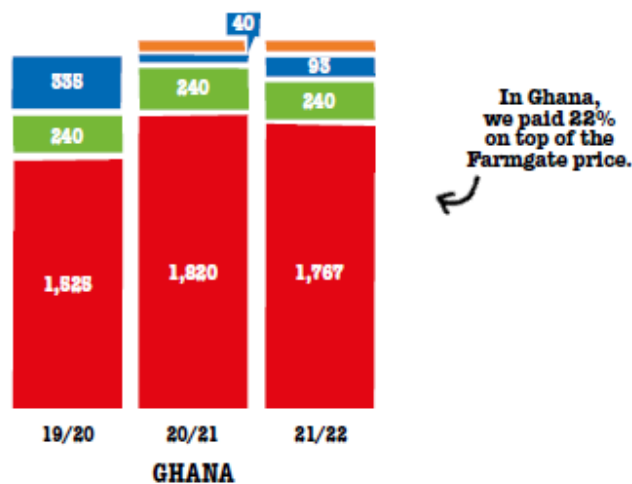
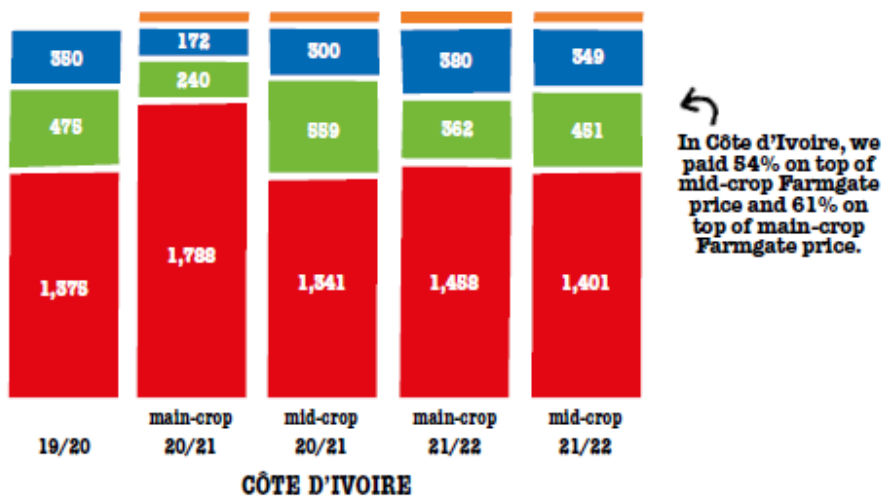
Farmgate price = the price farmers receive for their cocoa. It's set by the governments for the main and the mid-crop seasons each year, and it's way too low.

Fairtrade premiums = the premium paid for Fairtrade certified cocoa. This is not enough for cocoa farmers to earn a living income.

Living income premium = the additional premium needed to close the gap with the Living Income Reference Price for cocoa. The LIRP per ton of cocoa was set at \$2,200 in Côte d'Ivoire and \$2,100 in Ghana in the 21/22 cocoa season.

KPI 15

Amount of premium paid (per metric ton of cocoa) to reach Living Income Reference Price



■ farmgate price
 ■ Fairtrade premiums
 ■ living income premium
 ■ co-op fee (\$50)

Co-op fee

We pay a co-op fee of \$50 per metric ton to the partner cooperatives. That way, partner cooperatives can manage their own operations, and they're able to pay a bigger share of premiums directly to their members, which has a positive impact on their incomes.

Cocoa productivity

In our pursuit of a living income for farmers, it is also important we work together with the partner cooperatives to improve yields within existing farm sizes. To improve productivity, in total 202 farming coaches were paired with farmers at each partner cooperative. The average productivity for each partner cooperative is increasing with each passing year. The partner cooperatives are surpassing the industry average of about 500 kg per hectare, while current average productivity at the long-term partner cooperatives in Côte d'Ivoire is at almost 600 kg/ha. This is a crucial objective as we set a target yield of 800 kg/ha as part of the Living Income Model. To increase productivity, Individual Farm Development Plans (IFDPs) are tailored to each farm. IFDPs often involve introducing new farming practices, such as input support, pruning advice, replanting advice or composting.

The data collected during the individual assessments is passed on to the cooperatives to give them insights into the needs of seedlings, fertilizers, shade trees, as well as pruning and replanting needs. The cooperative can then purchase inputs at scale at a cheaper price, improving the cost efficiency of cocoa farming for all cooperative members. Through the assessment data, the co-op can also have a better understanding of the position of each individual farmer and can decide to give out micro loans on pre-financing basis.

The formation of labour brigades are also centrally organized and trained by the partner cooperatives, meaning farmers can again benefit from activity taking place in economies of scale. These groups of young adults focus on carrying out specialized labour on cocoa farms, such as high branch pruning (which improves the farms' condition and productivity). This extra labour support is invaluable to families, who no longer rely on extra labour from children and teenagers.

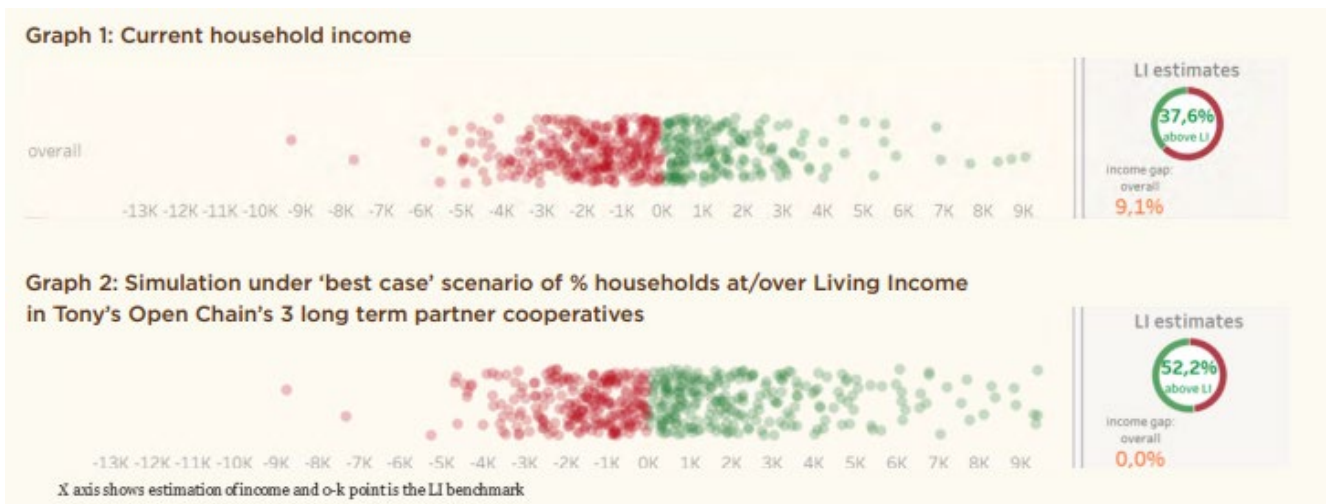
Makeover for the Living Income Model in 22/23

Around the world, people are feeling the strain of increased living costs in different ways. For cocoa farmers, the war in Ukraine has significantly increased the cost of fertilizers. This has direct implications for cocoa farming. To ensure the LIRP for the 22/23 cocoa season adequately reflects this, the cost of farming and cost of living indicators have been adjusted (Fairtrade Living Income Reference Prices for Cocoa, October 2022). All Tony's Open Chain Mission Allies are now paying the new LIRP for the 22/23 season.

Farmers earning a living income

Based on a living income analysis of a representative sample of 500 households across three of our long-term partner cooperatives in Côte d'Ivoire, it is clear that the 5 Sourcing Principles, together with good purchasing practices (including paying a living income reference price), help close living income gaps. Over 1/3 of households (37.6%) are at or over the Living Income benchmark. The average living income gap at Tony's Open Chain's long term partner cooperatives is 9.1%, compared to the industry average of 69% for Côte d'Ivoire. Simulations based on this living income analysis also show a noticeable and substantial change if all cocoa is sold through Tony's Open Chain. Under the best of circumstances (meaning if all cocoa is sold at the LIRP, all premiums go directly to the farmers, and productivity is at 800 kg/ha), the average living income gap closes completely and over half (52.2%) of the households will be at or over living income. This shows that progress on achieving a living income for cocoa farmers is achieved by paying a higher price for cocoa.

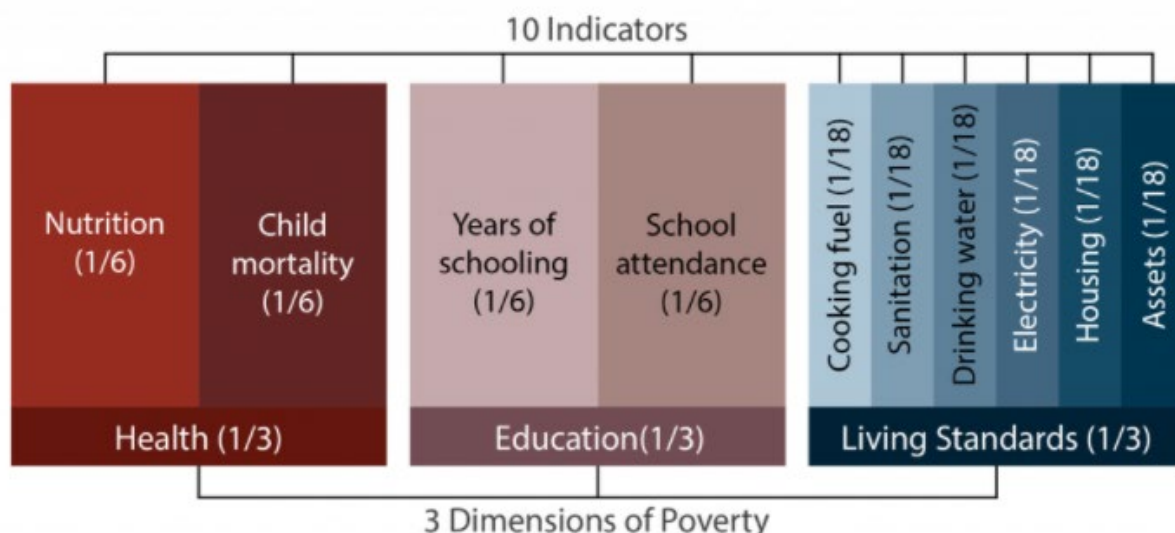




This graph shows in detail the previously described results of the living income analysis.

Multi-dimensional poverty

Aside from assessing the level of income, we also investigate the more general standard of living in the cocoa communities as poverty in its complexity is the root cause of the major issues in cocoa. Tony's Open Chain builds upon the Multidimensional Poverty Index (MPI) by the United Nations Development Programme (UNDP) and Oxford Poverty and Human Development Initiative (OPHI). The aim is to measure the non-income-based dimensions of poverty, to provide a more comprehensive assessment of the extent of poverty and deprivation. Deprivations and the lack of opportunity are assessed in three thematic areas and ten indicators that are weighted equally: health (child mortality, nutrition), education (years of schooling, enrolment), and living standards (water, sanitation, electricity, cooking fuel, floor, assets). Underlying these areas are ten indicators to zoom in on the conditions of rural livelihoods. This detailed assessment allows for a better understanding that goes beyond who is living in poverty, but also looks at the how and why – making it a comprehensive measure for non-income poverty.



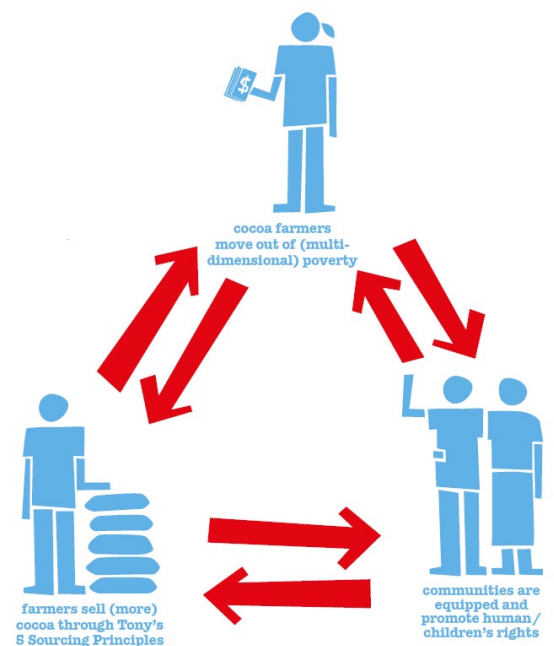
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	Year	% of Households in (MPI) poverty	% that is severely food insecure	% where a young child (<5 years) has died in 5 years prior to interview	% where no one of 10 years or older has completed 6 years of schooling	% with a school-aged child who is not attending school	% that cook in potentially hazardous	% that do not have access to adequate sanitation	% that cannot easily access safe drinking water	% without access to electricity	% that does not have adequate housing	% that do not own more than 1 of 8 essential assets
			Health	Education	Living standards							
Ghanai an partner co-ops	2019	33.7%	45.3%	5.2%	2.3%	3.2%	98.4%	81.2%	31.1%	35.9%	44.0%	15.9%
	2020	27.2%	31.7%	3.6%	1.9%	5.5%	96.4%	76.1%	27.5%	35.3%	50.5%	15.2%
	2021	28.4%	32.5%	6.2%	3.2%	7.0%	95.5%	76.6%	26.8%	26.9%	38.2%	15.4%
	2022	38.7%	52.6%	3.7%	3.2%	3.8%	96.5%	75.9%	29.1%	28.0%	39.2%	21.7%
Ivorian partner co-ops	2019	46.0%	17.2%	14.2%	14.5%	30.5%	98.5%	71.0%	37.5%	43.3%	58.3%	10.3%
	2020	44.9%	25.9%	17.5%	13.9%	28.1%	96.9%	63.7%	25.9%	43.9%	44.2%	11.6%
	2021	43.4%	30.8%	11.0%	19.6%	21.0%	94.5%	62.4%	30.4%	40.8%	47.8%	10.8%
	2022	44.7%	37.8%	13.2%	19.8%	25.4%	95.3%	56.7%	26.0%	18.5%	44.3%	10.5%

We are seeing an overall increase in the number of farmer households living in poverty. While this is worrying, it is not surprising – given inflation and rising prices. Especially now that the indicator for food insecurity has gone up, too. We have now adjusted the way we calculate the higher price we pay for cocoa to take the increased cost of living into account. Since we started measuring the MPI, we have seen some interesting data trends as a result of certain unexpected circumstances – like the pandemic. Some improvements over time include increased access to electricity in both Ghana and Côte d’Ivoire, and increased access to safe drinking water in Côte d’Ivoire. Good healthcare coverage has become available in both countries since 21/22. In 22/23, we will have the fifth consecutive year of MPI assessment, which means that we will publish a bigger report looking at MPI developments over time.

The results of the MPI inform community development plans at partner cooperatives, which are funded by the Chokolonely Foundation. Over time the Chokolonely Foundation has contributed to many new school construction projects, so it is great to see an upward trend in school attendance. And after having funded the construction of toilet blocks, it is encouraging to see that the sanitation indicator has significantly improved over the past 4 years.

Tony’s Chokolonely invests 1% of its turnover into the Chokolonely Foundation annually. Get in touch for more information about the Chokolonely Foundation and how you can contribute to be able to make claims in the context of MPI indicators.




No child labour




Child labour is systemic in cocoa. Identifying cases of child labour is a central part of the work Tony's Open Chain does, and so is remediating each case that is found.

Definition of child labour


children fall in different age groups



5-13 YEARS
children below the minimum age specified for light work.



14-15 YEARS
children within the age range specified for light work.



16-17 YEARS
children at or above the minimum working age.

there's child work..

light work
refers to light and safe tasks for limited hours that do not interfere with schooling.

regular work
means tasks for limited hours that do not interfere with schooling.

..and then there's child labor

hazardous child labor
refers to employment in designated dangerous industries and occupations, night work in any industry and occupation, unpaid household services for long hours, unsafe equipment, as well as dangerous working conditions.

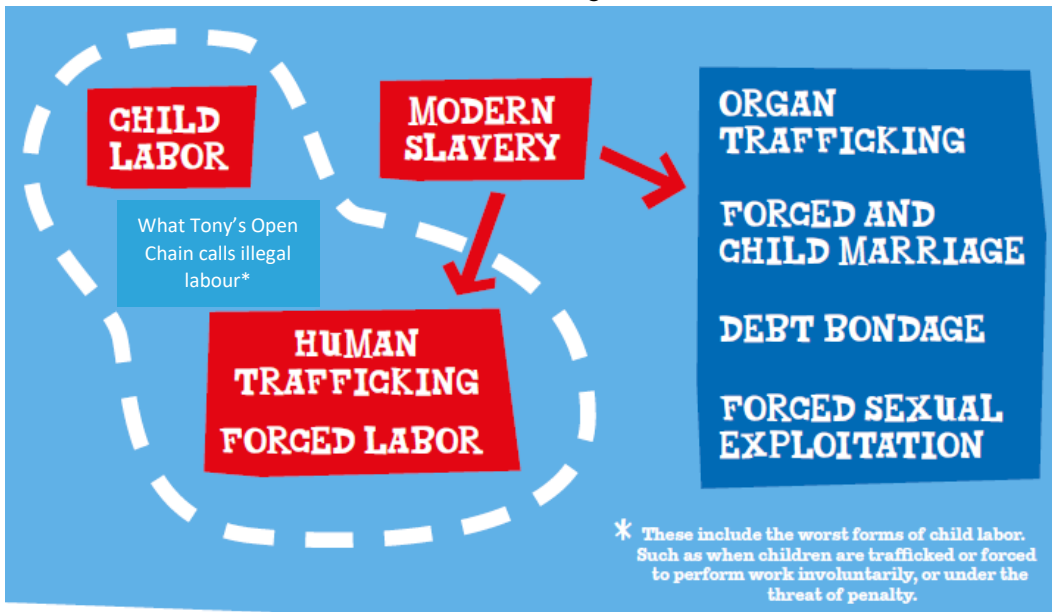
other worst forms of child labor
refers to children trafficked for work, forced and bonded child labor, commercial sexual exploitation of children, use of children for illicit activities and armed conflict

what's legal ● what's illegal ✖

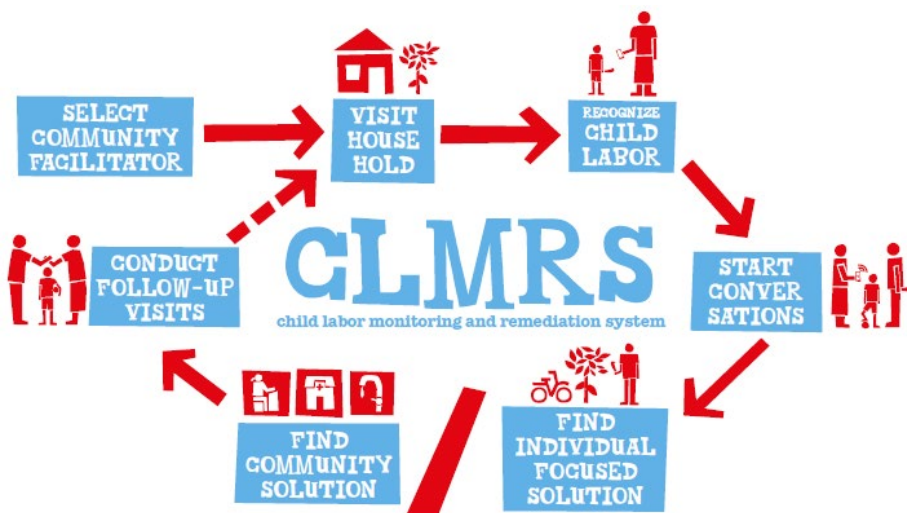
	5-13 years	14-15 years	16-17 years
light work	✖	●	●
regular work	✖	✖	●
hazardous child labor	✖	✖	✖
other worst forms of child labor	✖	✖	✖

For further reference, [visit the ILO website](#).

Difference between modern slavery and child labour



CLMRS: social traceability

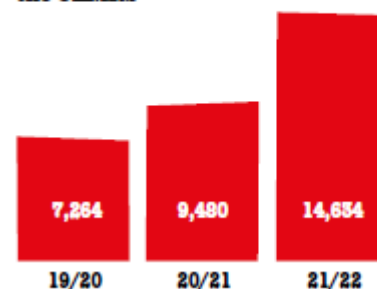


Since January 2017 Tony's Open Chain is implementing the Child Labour Monitoring and Remediation System (CLMRS) developed by the [International Cocoa Initiative \(ICI\)](#) and Nestlé. CLMRS works to identify and remediate cases of child labour, as well as to prevent future cases by raising awareness. With support from the

International Cocoa Initiative (ICI) and Tony's, the partner cooperatives implement the CLMRS at all member households.

Each of Tony's Open Chain partner cooperatives implements the CLMRS, involving the entire community. Each cooperative has a team of community facilitators who conduct awareness raising with farmers and the broader community, visit homes and farms to talk about child labour with parents, and identify cases of children engaged in child labour. The community facilitators are trained on how to have open and trustful conversations with families about child labour, and how to find solutions for individual cases and prevent re-occurrence of child labour.

KPI 10
of cocoa growing households in Tony's Open Chain partner cooperatives who participate in the CLMRS



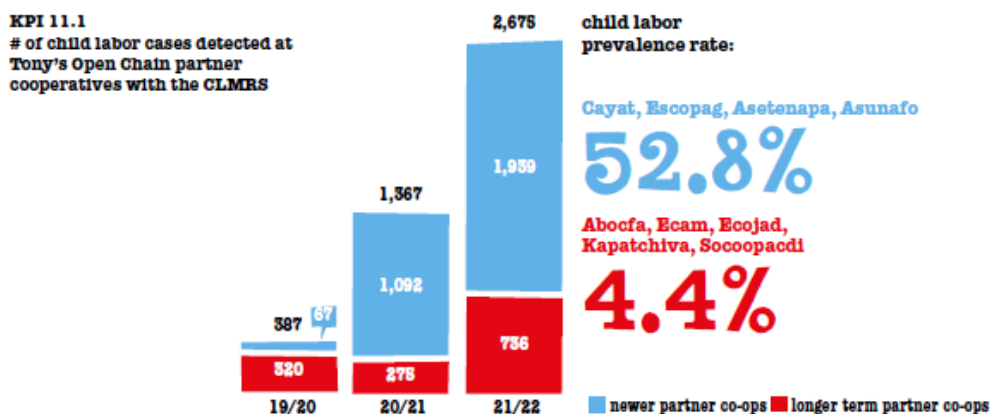
Child labour data of the Ivorian partner co-ops

	Cayat	ECAM	Socoopacdi	ESCOPAG	Kapatchiva	Ecojad
Child labour prevalence rate	33%	4.9%	2.2%	41.5%	2.1%	8.6%
Child labour remediation rate	16.9%	52.5%	75.6%	3.9%	39.8%	18.4%

Child labour data of the Ghanaian partner co-ops

	ABOCFA	Asunafo	Asetenapa
Child labour prevalence rate	6.9%	73.7%	58.8%
Child labour remediation rate	83.2%	7.1%	18.1%

We started clustering CLMRS activities according to how long we have been working with a co-op. We do this to gain a clearer picture of the effectiveness of the 5 Sourcing Principles in addressing child labour, and of the specific social factors driving child labour over time. The average rate of child labour in the chocolate industry is 46.5% (NORC Report, 2020) which we see in the co-ops that we just started working with. Compared to 20/21, the number of cases found at the long-term partner cooperatives has increased though, because new members have recently joined. Which is why it is imperative to rigorously implement CLMRS, including continuous awareness raising. Cooperatives and communities are dynamic places, which is why we believe every household should be visited at least once a year.



Child labour cases by gender & activities

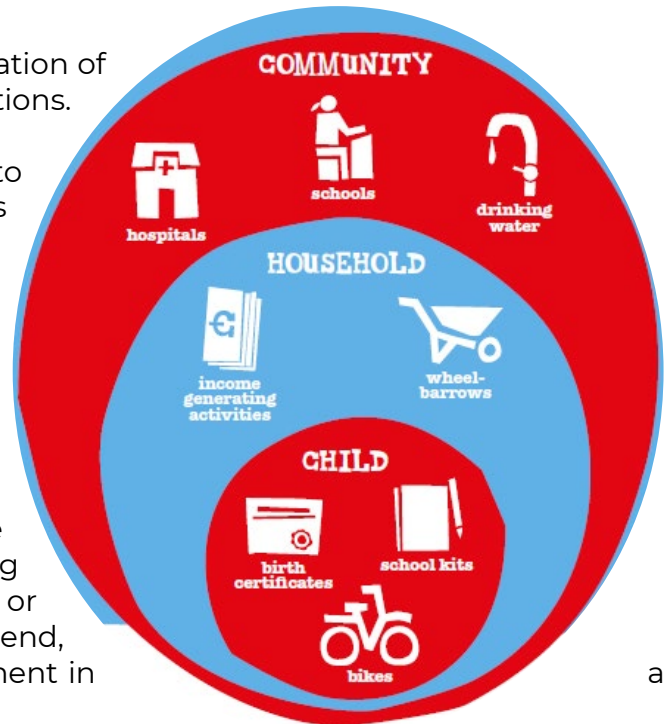
	Boys	Girls	Total
All cases	61%	39%	
Inadequate protective shoes/clothing	58%	42%	20%
Carrying heavy loads	45%	55%	36%
Using machetes to break cocoa pods	73%	27%	44%

Remediation activities

Addressing child labour requires a combination of individual, household and community solutions.

For individual children, support is provided to get them back into school. Measures include securing birth certificates to enrol in school and providing school kits that contain notebooks, uniforms, footwear, math sets and bags, as well as bikes if they have to travel long distances to school.

For older children, remediation involves placing them into vocational training programs. They can choose to pursue trade-based professions, like becoming mechanics, electricians, beauticians or seamstresses. They receive training, a stipend, equipment for their new trade and placement in functional literacy & numeracy class.



At a household level, families are provided with wheelbarrows and pelle bongos, a safe tool used to open cocoa pods. These tools allow older children to support farming activities without lifting heavy loads or using sharp implements like machetes.

Families with multiple children engaging in child labour can be provided with access to other income-generating activities. This involves providing start-up kits needed to engage in animal rearing, bread or soap making. Alternatively, these families receive tools, seeds and equipment to grow vegetables or fruits on their land. These new income streams allow them to pay for labour support on the cocoa farm instead of asking their children.

At community level, infrastructure improvements ensure that children are growing up in an enabling environment: where there are schools they can attend, water is accessible (and does not require long walks that take them out of school), and healthcare is available. The construction of infrastructure is funded by the Chocology Foundation. We significantly accelerated child labour remediation in 21/22. Community facilitators from within each community have been assigned to work with farmers and their families. And we are seeing faster implementation at new partner cooperatives. We launched the CLMRS at two new cooperatives (ESCOPAG and Cayat), and they hit the ground running: they have already closed over 10% of the child labour cases they found, which is much faster than expected.

3/4 of the child labour cases detected at the long-term partner cooperatives on 1 October 2021 were closed by 30 September 2022. The remaining 25% of children have also already received remediation support. In total, 1,678 children received remediation support in 21/22, and these cases are therefore in the process of being fully remediated. This shows that the remediation process itself becomes more effective with continued implementation: **it now takes around 9-12 months, compared to 24 months it took when we started with the CLMRS.**

No deforestation

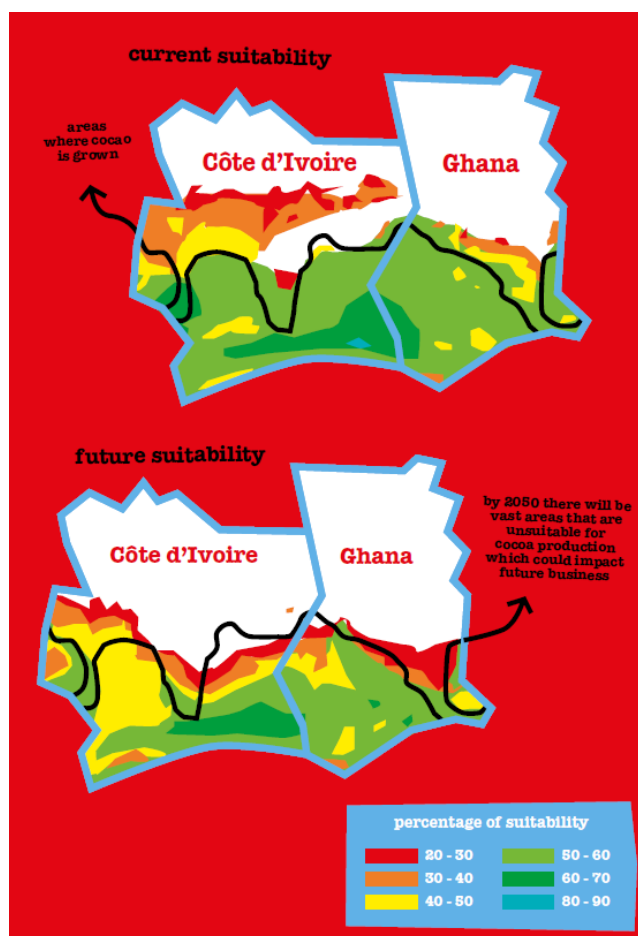


In the last 100 years, more than 90% of the original West African forests were lost. According to research by Forest 500, at the current rate of deforestation, Côte d'Ivoire risks losing all its forest cover by 2034. In [a 2017 Mighty Earth investigation](#) it was estimated that 40% of the Ivorian cocoa comes from protected areas. A [study published in the journal Tropical Conservation Science in 2015](#) concluded that three-quarters of the land in five national parks and 18 forest reserves in Côte d'Ivoire had been transformed for cocoa production. And cocoa farmers are already feeling the consequences of climate change.

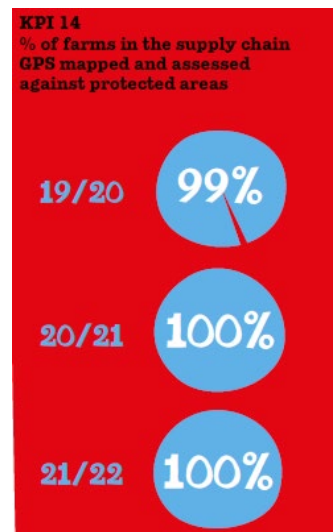
GPS mapping: environmental traceability

Tony's Open Chain uses 100% traceable cocoa for our chocolate and therefore know exactly where our cocoa comes from. To have fully transparent bean-to-bar traceability, meaning knowing the origin, the flow, and the quantities of the beans, allows us to have insights that enable us to create a fairer supply chain based on a direct connection, that creates accountability and the ability to take responsibility. To be able to guarantee no deforestation occurs because of the cocoa Tony's Open Chain sources, it is necessary to know where the cocoa farms are located and compare the data with governmental forest maps. This year, 100% of all farms had been mapped and mapped against protected areas and checked against the newest governmental forest boundary maps. The data is kept up to date through annual remapping exercises and the data quality is held to the highest standards of polygon mapping.

We work together with Satelligence to carry out deforestation risk assessments and monitor illegal deforestation. They compare farms in our supply chain against protected areas and boundaries used by the Cocoa & Forests Initiative. Satelligence has also conducted a 'land use change analysis' for the period from 2001 to 2021. **The results of the analysis show that no deforestation or forest loss has occurred since 2001. And that around 90% of emissions from cocoa beans production in Ghana and Côte d'Ivoire come from land use change. However, land use change represents less than 25% of the cocoa emissions of Tony's Open Chain.**



Currently, no farmers from Tony's Open Chain partner cooperatives produce from land in protected areas. In case this happens in the future, the protocol would be to report the incident to the relevant local and national authorities. We would consult with the farmer and the partner cooperative on remedial agroforestry measures, help the farmer find an alternative plot of land in an area that's not protected, and provide tailored education to the farmer in order to help prevent further deforestation efforts. We link data sources like GPS mapping data and current productivity levels in Beantracker. This gives an at-a-glance snapshot of where our cocoa comes from and whether deliveries are feasible based on farm sizes. This past year, 91,550 new shade trees, which came from women-run tree nurseries, were planted on farms. Shade trees are an important factor in lowering temperatures on cocoa farms and improving biodiversity. These efforts increase farmers' yields, make farming more profitable and contribute to much-needed reforestation in cocoa-growing areas.



Mission Allies

At the end of the book year 21/22, there were eight Mission Allies, including Tony's Chocolonely. Since October 2022 (and therefore not in the audited Annual FAIR Report by Tony's Chocolonely), KoRo Source joined as well, leading to a current total of nine Mission Allies. The total number of Mission Allies helps prove the replicability of the Tony's Open Chain approach. **The impact amplification through Tony's Open Chain can be seen in the increase of the total number of beans sourced, growing from 5,645 metric tons in 12/13 to 14,002 metric tons in 21/22. That's 0.5% of the West African cocoa bean market.**

Albert Heijn - Delicata

The first-ever Mission Ally just extended their long-term commitment to Tony's Open Chain. Albert Heijn has been sourcing cocoa through Tony's Open Chain for its Delicata bars since 2019.

ALDI - Choco Changer

The first discount retailer to join Tony's Open Chain is the most international Mission Ally, and can be found on shelves in many countries across Europe. They recently visited Tony's team as well as the partner cooperatives in Côte d'Ivoire, and they're an active and vocal member of GISCO, the German Initiative for Sustainable Cocoa.

Jokolade

This chocolate company's founder and namesake, Joko Winterscheidt, wanted to get things right from the very start: Jokolade has been a Tony's Open Chain Mission Ally since day one. They are strong mission supporters and a fair approach to business has always been their only way forward.

Vly Foods

These pea protein-based milk product superstars now also make a chocolate milk that tastes delicious and is made from Tony's Open Chain cocoa powder. This also means there are now three Mission Allies on the shelf at Albert Heijn, as Vly Foods recently became available in the Netherlands.

Ben & Jerry's

This is a very outspoken Mission Ally. Ben & Jerry's is also active in Côte d'Ivoire, and brought two new partner cooperatives, Coobadi and Coopaza, on board with them when entering into the Tony's Open Chain partnership.

The Flower Farm

This Mission Ally focuses on stopping and preventing deforestation. That is why they were excited to learn that all cocoa farms across Tony's Open Chain are GPS mapped. They also recently launched a hazelnut chocolate spread using Tony's Open Chain cocoa powder.

PLUS

This partner is striving to be the most sustainable food retailer in the Netherlands. They are committed to 100% cocoa traceability, so it is no surprise that they decided to join Tony's Open Chain for their latest chocolate range.

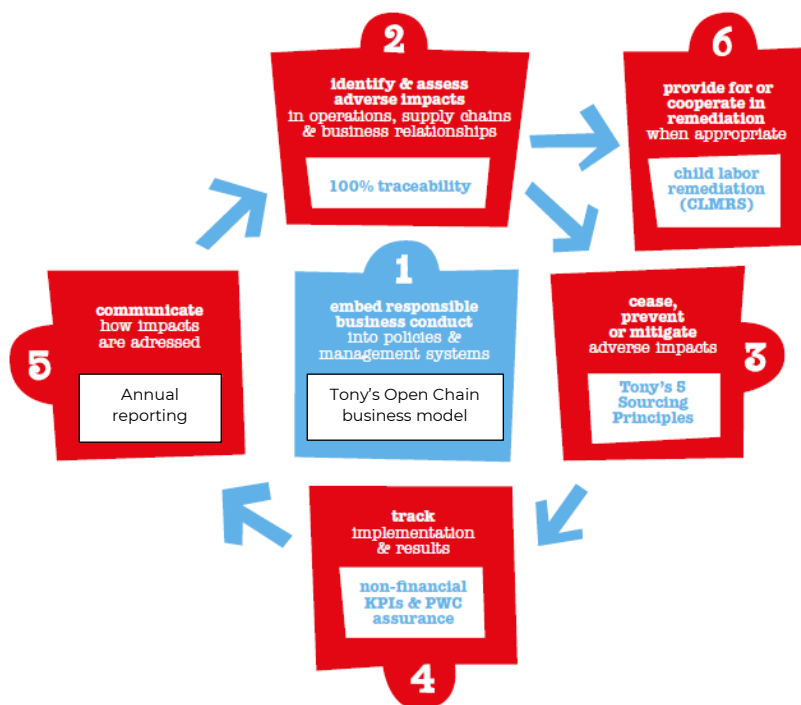
KoRo Source

This sourcing product development platform joined the party most recently in October 2022. We are excited to make impact together and Tony's Ivorian country manager Korotoum loves the name of this mission ally.

Legislation

It has been over two decades since the big chocolate companies promised to end child labour in the cocoa supply chain. In 2001 they signed [the Harkin-Engel protocol](#), which pledged to end the worst forms of child labour within five years. In 2010, after failing to meet their deadlines three times, the pledge was extended to reduce child labour by 70% by 2020. This deadline was also missed and now the protocol has run out. Today 1.56 million children are still working illegally on cocoa farms in Ghana and Côte d'Ivoire. It's been over 20 years and despite numerous voluntary programs and agreements, not much has changed. It's fair to say industry efforts are insufficient and that little progress has been made ([Cocoa Barometer 2020](#)). That's where external, legislative force comes in. The prioritization of company profits over human rights needs to stop now. Governments must regulate corporate behaviour to end injustice in value chains that span countries and continents. Officially this is called 'corporate accountability and human rights due diligence', which means businesses must be held accountable for checking and resolving social and environmental injustices that happen when they source materials and manufacture products.

The six steps of due diligence outlined by the [OECD due diligence guidance for responsible business conduct in 2018](#) show what responsible business models should look like:



Source: OECD (2018), OECD Due Diligence Guidance for Responsible Business Conduct

Mission allies in sector initiatives

The partnerships between companies, public sector organizations and civil society organizations aim to make the cocoa sector more sustainable by taking action together. Tony's is part of the Dutch Initiative on Sustainable Cocoa, as well as its Belgian equivalent, Beyond Chocolate. AHOLD Delhaize (Albert Heijn's mother company) and ALDI Nord are members of Beyond Chocolate, Albert Heijn and Superunie (PLUS is part of the Superunie buying group) signed the Dutch Initiative on Sustainable Cocoa, ALDI South is a signatory of the German Initiative on Sustainable Cocoa and ALDI Suisse is a member of the Swiss Initiative on Sustainable Cocoa.

Conclusion



Tony's Open Chain mission allies pay a higher price for all the cocoa we source. This enables cocoa farmers to earn a living income. We hope that, over time, more companies will realise that doing the bare minimum by paying a price

that enables a living income for all farmers is not just the right thing to do, but the smart thing, too. Even in times of significant inflation, we stand by our commitment to pay the living income reference price to farmers for their cocoa, and to prompt structural change and eliminate illegal labour from the cocoa supply chain through Tony's 5 Sourcing Principles.



We proactively look for child labour at all partner cooperatives in order to fix it. The average rate of child labor in the chocolate industry is 46.5% (NORC Report, 2020). This rate is 4.4% at the

Tony's Open Chain partner cooperatives we have worked with the longest.



We know all the farmers we source from, and have insight into how their farms work thanks to GPS mapping. This helps us guarantee full traceability, and that there is no deforestation happening in the cocoa supply chain.



Appendices: other (useful) information

Which other information does the Beantracker track?

The Beantracker tracks the payments for the premiums Tony's Open Chain mission allies pay the cooperatives which, in turn, distribute the premiums to the individual farmers as determined by the farmers themselves. Once the beans have reached either the butter factory SACO or the chocolate manufacturer in Belgium, an invoice is triggered in the system. This creates a transparent flow and enables co-ops to request their premium payments.

We also link other data sources – like GPS mapping data and current productivity levels – in the Beantracker. This gives an at-a-glance snapshot of where the cocoa comes from and whether deliveries are feasible. Based on the GPS mapping data, the size of each farm is known and therefore also the possible amount of cocoa that can be grown on that plot of land. The Beantracker triggers a warning once a farmer has delivered more than 100% of their estimated yield which will lead to the local team to follow up with the co-op and the respective farmer to make sure no external cocoa is entering the flow. The system also includes historical production data as well as current production totals. That way every bean grown by every farmer can be traced back to its origin.

Why is Tony's Open Chain not brand-to-bean traceable?

While we are traceable from bean to bar, it is not possible to trace bar to bean. The main focus of traceability is to create responsibility and accountability by knowing where the cocoa comes from. Only when having this knowledge is it possible to have a positive impact on the communities we source from. There is very limited added value of knowing from which farmer exactly the beans for a certain batch of bars came from. There will, first of all, most likely be a mix of Ghanaian and Ivorian beans as all of our butter comes from Côte d'Ivoire. Roughly speaking, about 20% of the beans come from Ghana and 80% from Côte d'Ivoire, however 100% of the cocoa butter that is used in our chocolate comes from Côte d'Ivoire. Additionally, the cocoa mass, butter and powder are respectively put together in the process of making the chocolate.

Why does Tony's Open Chain not work with Blockchain?

For a two-month period, in cooperation with Accenture, we logged and monitored the cocoa bean flow. 63 delegees and one cooperative Socoopacdi and one local trader, Ocean, participated. We tracked about 900K kg beans, around 400 transactions (registrations, movements, and corrections), 35 shipments between cooperative and local trader (trucks) and 12 international shipments. The main obstacle for a traceability platform is translating a physical product (a bag of beans) to a digital data point. This is a big cost driver. Unlike bitcoin, which is a 100% virtual world, in the cocoa value chain, we deal with physical goods which easily can be misplaced. A bag of cocoa may be torn, fallen off a truck or misplaced by putting it on the other side of chalk line in a dusty warehouse. If not all these changes are logged, the inflow of data which determines the outcome of the dataset is flawed. Timely data is also a challenge because many of the cocoa locations are in regions with bad to no network coverage. The conclusions of the pilot: There is important potential in blockchain technology for traceability which is worth investigating. But we anticipate it will take another 3-5 years for it to become business operations viable. We have a functional and operational traceability platform that performs the same service with a different technology.

Find the whole Forbes article [here](#).

What is a cocoa cooperative?

A cooperative is an organisation of farmers who have joined forces. A cooperative is an association of people/farmers who unite voluntarily within a democratically controlled framework that all members can participate in. The farmers should feel committed and represented by the co-op. A strong co-op aims to provide open & voluntary membership, have democratic decision-making processes, pool resources (economies of scale), be an autonomous & independent entity, provide training & information to its members, and establish business partnerships & foster community development.

In Côte d'Ivoire cooperatives can sell cocoa so there exists a business case and the ability to make money. There are over 1500 registered cooperatives in Côte d'Ivoire. In comparison, in Ghana, cooperatives need to finance themselves fully based on premium payments and do not have the option to legally sell cocoa. Therefore, only around 11% of cocoa households in Ghana with a member of a cooperative, compared to 21-50% in Côte d'Ivoire.

What are the key responsibilities of a cooperative?

The most frequently mentioned advantages of being a member of a cooperative are better payment terms, such as prompt payments instead of checks, as well as price premium, for example in the context of certification schemes. Additionally, access to inputs, such as fertiliser, planting material, shade trees, and seedlings, can be organised centrally at cooperative level, meaning buying in bulk can bring the price down. Moreover, information is shared communally, and services, such as labour groups can be organised centrally. In a cocoa community, the cooperative has a management and coordination function that enhances inclusiveness and provides farmers with a platform to have their voice heard as they are democratically included in the decision of the premium spending at the Annual General Meeting. Co-ops are the entities to make sure that coherence and fairness is prevalent concerning, for example, provided services like farmer coaching. In the Tony's Open Chain context, cooperatives are also responsible for providing community development plans, outlining what is needed within their community specifically. They make sure that potentially overlapping initiatives from different actors (for example two different chocolate companies) are merged or aligned. Furthermore, the implementation of the CLMRS is guided the co-ops, and the remediation efforts are under the responsibility of the co-op.

What are Good Agricultural Practices?

We always seek to balance our social mission with the impact it has on the environment. For example, we are aware that irresponsible use of chemicals is bad for the environment. In the long term, it is also bad for the cocoa farms and the farmers themselves. Our productivity programs focus on soil improvement, pruning techniques and rejuvenating the cocoa farms.

We actively promote and support planting of shade trees (e.g. through tree nurseries). We have expanded shade tree nurseries in a move to help farmers introduce an agroforestry-based approach. This combines multiple kinds of crops (like mangos and avocados) for more sustainable farming. Agroforestry also means farmers can diversify their revenue streams, putting a living income more firmly within reach. While good agricultural practices are important, the problems does not lay with the farmers but with the cocoa system which is why improved purchasing practices (the 5 Sourcing Principles) are so important.

What are the Sustainable Development goals?

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. These global goals were given 15 years to be addressed and resolved- an ambitious deadline but a necessary one as it shows how pressing these issues are.

Which SDGs does Tony's Open Chain work on?

The SDGs are a powerful tool to effectively communicate how Tony's Open Chain mission allies are contributing to solving the toughest and most pressing global challenges by 2030. Businesses can and must play a role towards fixing the problems of the planet and its people. [The 17 SDGs are integrated](#), this means they recognise that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability. Tony's Open Chain proactively works on six SDGs:



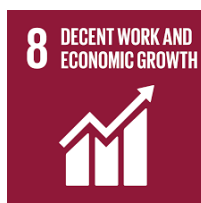
[SDG 1: End poverty in all its forms everywhere](#)

Poverty is the root cause of child labour and modern slavery in cocoa. Farmers should be able to earn a living income which will help them get and stay out of cyclic poverty. Paying a higher price is one of our 5 Sourcing Principles and together with other principles like improving quality and productivity, we enable farmers to earn a living income. We know poverty is multi-dimensional, and we address the issue of poverty holistically.



[SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture](#)

Paying a higher price enables farmers to earn a living income and therefore the ability to afford a decent standard of living. Self-sustenance is a vital factor of a decent livelihood, which is why food security is also an important indicator of the MPI.



[SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all](#)

The market price for cocoa is too low for farmers to get out poverty, let alone earn a living income. A rights-based approach to creating systemic change in the sector is needed to take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of child labour.



[SDG 10: Reduce inequality within and among countries](#)

There is an unequal distribution of value and power in the chocolate supply chain. It starts with the millions of farmers that produce cocoa and ends with the billions of consumers that enjoy chocolate. But the industry is dominated by a group of big companies that put profit before people and the planet. As a result, farmers are forced to live in poverty leading to child labour and modern slavery.



[SDG 12: Ensure sustainable consumption and production patterns](#)

It is important to create awareness around the issues in the cocoa supply chain – among consumers and other key players. We strive for the economic and social progress of the cocoa communities bearing in mind that this should not come at an environmental cost. It is important to be fully transparent about our way of working. It should be the norm for all companies to put people and the planet before profit.



[SDG 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development](#)

Tony's Open Chain embodies the objective of this SDG: An industry-led, collaborative initiative that helps companies exceed sustainability targets and transform the cocoa supply chain. Our blueprint for industry change lays the groundwork for adopting the 5 Sourcing Principles. The initiative's necessary because the current industry model operates on a 'take the money and run' mentality: corporate anonymity and maximized profits. The sustainability initiatives that do exist rarely lead to collaborative solutions. Tony's Open Chain is our invitation to do things differently and create impact together.