



AURO

CHOCOLATE

SOURCING REPORT

2021-2022

TABLE OF CONTENTS



INTRODUCTION

A Message from Kelly and Mark	03
Getting to know Philippine Cacao	04
Who We Are	07



AN OVERVIEW OF THE PAST YEAR

September 2021- August 2022	10
Cost Distribution Across the Supply Chain	11
Auro Cacao Throughout the Years	12



OUR SUSTAINABLE SOURCING POLICY (SSP)

Introduction	14
Scope	14
Core Principles	15
Reporting Concerns	16



HOW WE SUSTAINABLY SOURCE CACAO

Sustainable Partnerships, Empowered Farmers	18
Beyond Tree-to-Bar	19



FARMER SUPPORT

Strengthening Farmer Partnership	23
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OUR CACAO PRODUCERS

Get to know our producers	26
Davao	34
Cacao Blend Feature : Davao	36
Saloy	38
Cacao Blend Feature : Mana	39
Paquibato	40
Cacao Blend Feature : Paquibato	42



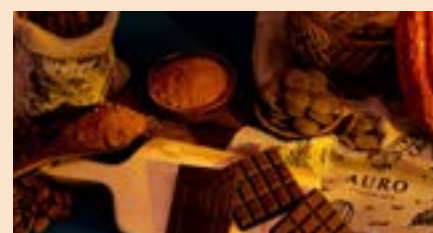
SOCIAL IMPACT

Making the Cacao Journey Impactful	44
Improved Cacao Farmer Program	44
Organic Conversion Program (OCP)	45
Crowdfarming	47
Meet Our Farmers	48
Nursery Program	50



EXPANDING OUR IMPACT

Partnerships for a Cause	52
MEDA	53
Henry and Sons	54
Generation Hope: HOPE in a Bottle	55



WHAT'S NEXT

Conclusion	57
Goals for 2023	58
Bibliography	59
Credits	59

Definition of Terms

A QUICK GUIDE TO ALL CACAO TERMS IN THE PHILIPPINE CONTEXT.

CACAO

Cacao is the more widely used term for theobroma cacao in the Philippines.

CACAO PODS

The harvested crop from the tree, still covered in its soft, thick shell that varies in size and color. Typically contains 30 - 40 - cacao beans.

WET BEANS

Freshly-harvested cacao beans that are still covered in white, juicy pulp after pod breaking. These are collected to be dried every harvest. The weight of three kilos (3kg) cacao wet beans are equivalent to one kilo (1kg) of cacao dried beans.

DRIED BEANS

Cacao beans that are already dried - some farmers ferment their beans (dried fermented cacao beans) while most sundry their cacao beans without fermentation. At Auro, we only use dried fermented cacao beans for our products.

TREE TO BAR

Tree-to-bar is a direct trade process that indicates our beans are directly sourced from farmers and made in the country of origin. In addition, it means we are involved in every step from the cultivation of the cacao tree to the processing of the beans all the way up to packaging and retailing of the product.

SINGLE ORIGIN

Single Origin chocolate means the cacao we use are sourced from one specific place, highlighting the unique terroir of the location and promoting direct trade and transparency.

SINGLE ESTATE

Single Estate means that the cacao beans used for the chocolate come from one specific farm or area within an origin.

SINGLE VARIETY

Single Variety means that the beans used for your chocolate are only made from one variety or clone of cacao sourced from 5 - 4 different farms.

BARANGGAY

The Philippine term is similar to town or village.

INTRODUCTION





Hi everyone,

We are delighted to share our second sourcing report with you! Last season was another journey filled with new challenges and exciting opportunities. Before we start, let us do a short recap of our first sourcing report. Initially, we shared the humble beginnings of our business as a proudly Filipino, tree-to-bar chocolate company. We highlighted the importance of transparency, direct trade, traceability, and sustainability, which reflect our values as an organization. We provided a brief background of the rich history of cacao in the Philippines being the first Asian country to grow and cultivate cacao. We also shared stories from the interesting lives of our partner cacao farmers. Our cacao sourcing data emphasized how we have created a positive impact on their income. Lastly, we provided descriptions of the unique flavor profiles of the cacao beans that we locally source. This time, our second sourcing report focuses on providing updates on the goals we previously set and other improvements we made last season.

Last year, despite the lingering effects of the pandemic, our team managed to source a total of 168.98 MT of cacao, which is approximately 70% more compared to our last reported data of nearly 100 MT in 2021. Additionally, our farmers' income increased from 33% in 2021 to 42% - an increase of 9% on the income of our partner farmers based on our recorded total cost distribution data for 2022.

These are just a few of the accomplishments we have achieved that we are proud to report to everyone. Positive impacts like these motivate us to do better and reach more milestones for our business and our partner cacao farming communities.

We have implemented new development initiatives such as our Nursery Program to primarily preserve the unique flavor profiles of our locally sourced cacao beans, particularly in Saloy, Davao which has won awards internationally. We are also currently exploring partnerships with other organizations and institutions that share the same values and advocacies similar to ours to collaborate with to create more beneficial effects for the communities we work with.

Through this second sequence of our annual reporting, we hope that we were able to provide you with an insightful glimpse into how we are doing as a social enterprise that holds high regard for sustainability, direct trade, and traceability. Thank you for your continued support!

With much appreciation and excitement,

Kelly S. Go
Managing Director

Mark M. Ocampo
Managing Director

To Filipinos, cacao is a reminder of home.

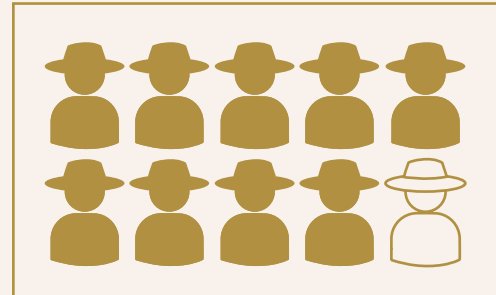


Since its arrival more than three centuries ago, we have deeply integrated it into our everyday lives - its presence is prominent in our culture and cuisines. In fact, a warm cup of sikwate (hot chocolate) used to be the go-to morning drink of Filipinos and for some, it still is. It has always been ever-present in our lives, making it one of the most valuable crops to us.

Cacao first arrived on our shores around the 1670s when a ship of the Manila-Acapulco Trade brought our first cacao trees, which was believed to be Criollo, one of the most prized varieties today.¹ Historical records point to either Luzon or Visayas as its first destination where it was distributed to households. Eventually, there was a cacao tree at every home in the Philippines for centuries, shaping a rich chocolate culture that has birthed various dishes which remain to be a source of comfort for most of us.

¹Blanco, M., and Andrés, N. (1877). *Flora de Filipinas*. Manila: Plana

FAST FACTS ²



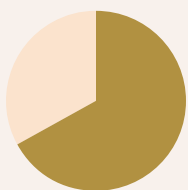
There are currently around
10,000 - 50,000
cacao farmers all over the country

90%
of cacao farming is by smallholder farmers
with an average of

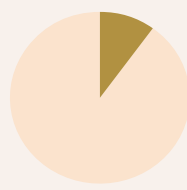
1.4 hectares



77% of local cacao supply are from the Davao Region



wherein
67%
are bulk beans



while
10%
are fine flavour

The Davao Region produced about
30,000
metric tons of dried fermented beans in

2020 - 2021

² MEDA. (2022). MEDA-RIISA's Integrated Market Systems Analysis (IMSA). Initial Program Report.



The Diwata of Filipino Cacao Culture

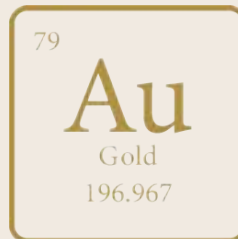
There is even a folklore of a local diwata (goddess/fairy) named Maria Cacao in Cebu, who is known as a trader of cacao, using her riches to help the townspeople with their requests.³ The story goes that she regularly passes by the river at night on her golden ship to sell chocolate to faraway lands. The presence of cacao in this story is reflective of our close relationship with the crop, which has since made an impact in each part of our lives.

This warmth and love for cacao is something we hope to share with the world. Right now, the Philippines is still an emerging fine flavour origin in the global market. We hope to improve this through our work with local cacao farmers and show the world the richness of Philippine cacao in flavour and in tradition.

³ Albuero, E.K. (1977). *Cebuano Folktales I*. Cebu City: San Carlos Publications.



Our journey began in 2015 when we started building valuable partnerships with local cacao farmers in Davao, and learning more about the potential of the different cacao varieties found in their farms. Eventually, we were able to launch our brand in 2017.



The name “Auro” came about by combining Au, and Oro, the chemical symbol, and Spanish terms for gold, respectively. This represents our pursuit to refine Philippine cacao and elevate the lives of local farmers whose work, to us, is as precious as gold.

We chose to share our love for fine Philippine cacao by sustainably sourcing our beans, paying premium prices, and building programs that can help improve their productivity and quality of life. To us, this is how we go beyond tree-to-bar - by getting ourselves involved every step of the way whether it be building deeper connections with our partner farmers or maximizing the flavour potential of every cacao and chocolate product we make.

HIGHLIGHTS



Fastest Growing

premium tree-to-bar chocolate company in the Philippines.



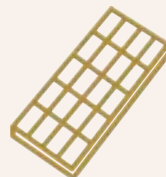
Collaborative

Won a total of 55 international awards including the Top 20 Best Cacao Beans in the World from the International Cocoa Awards in 2019 for Paquibato.



Going Global

Retail stores and cafes in the Philippines and Bahrain.



Product Diversity

Wide range of fine flavour cacao and chocolate products for different industries.



Sustainability

Innovative collaborations with leading companies.



Award-Winning

Greater social impact with Beyond Tree-to-Bar approach.

AN OVERVIEW OF THE PAST YEAR



An Overview of the Past Year

SEPTEMBER 2021 - AUGUST 2022

We started to publish our own sourcing report last January, covering the years of 2020 to pre-harvest season of 2021. This year, we now move to report annually, covering the start of harvest season in 2021 until the month before the start of the season in 2022. We are happy to continue sharing our purchasing data from this period.

Total Cacao Purchased	168.98 MT
Total Amount of Payment Made	₱ 21,778,056.05 / \$ 435,561.12
Included Premiums	₱ 3,363,327.21 / \$67,266.54
Farmer's Weighted Average Income per Kilo	
Wet Beans	₱ 39.75 / \$ 0.79
Dry Fermented Beans	₱ 148.36 / \$ 2.97
Farmer's Weighted Average Income per Ton	
Wet Beans	₱39,749.79 / \$795.00
Dry Fermented Beans	₱148,363.68 / \$ 2,967.27

Note: All USD Values are based on exchange rate of Php 1 = USD 50 for the past year

The past year has been a productive year for us as more businesses get back on track. This allowed us to purchase 75% more cacao this year that amounts to approximately Php 22 million or 435 thousand dollars. This is way more than what we anticipated but as more demand comes in, we expect this to increase next year.

We are consistently one of the highest payers of cacao in Mindanao as we offer prices above the ICCO Commodity price that is 10 - 15% higher. On top of this, we also offer premiums on top that are rewarded for high quality fine cacao beans we source.



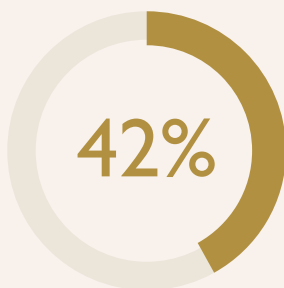
As we continue to grow, we have welcomed more partner farmers, purchasing from a total of 65 smallholder cocoa farmers and 8 cacao producing groups or organizations during 2021 to 2022. We are happy to work with even more partner cacao producers and we are positive that this number will only continue to increase as we connect with more cacao producers around the Philippines.

Number of Cacao Farmers	65
Number of Cacao-Producing Groups (Associations or Cooperatives)	8

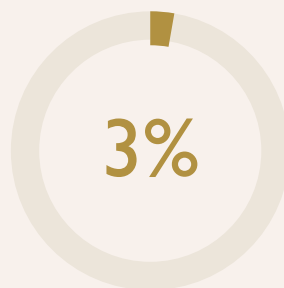
One of the most important aspects we want to measure from our tree-to-bar process is the share earned by our partner producers from our whole operations. Since last year, we have been trying to understand this by getting the percentage that goes to our partners from the costs of our whole production - from buying one (1) metric ton of cacao to making it into chocolates.



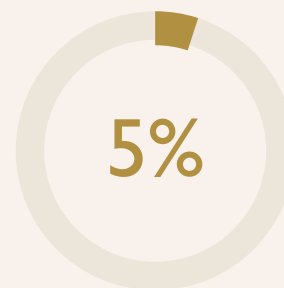
We're happy to say that a considerable portion of our costs still remains allotted to the payment of our partners. Right now, 45% of our total cost in the production of 1 metric ton of cacao to chocolate, including additional premiums, goes to our partner farms. This is now higher than our previous statistics of 39% share with farmers from last year, and now makes up the majority of the share of our costs for our chocolate production.



Farmer's Income



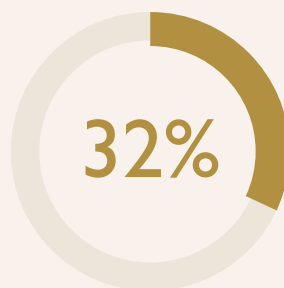
Additional Premiums



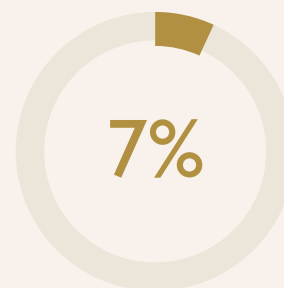
Post-Harvest Process



Domestic Storage and Logistics



Chocolate Production



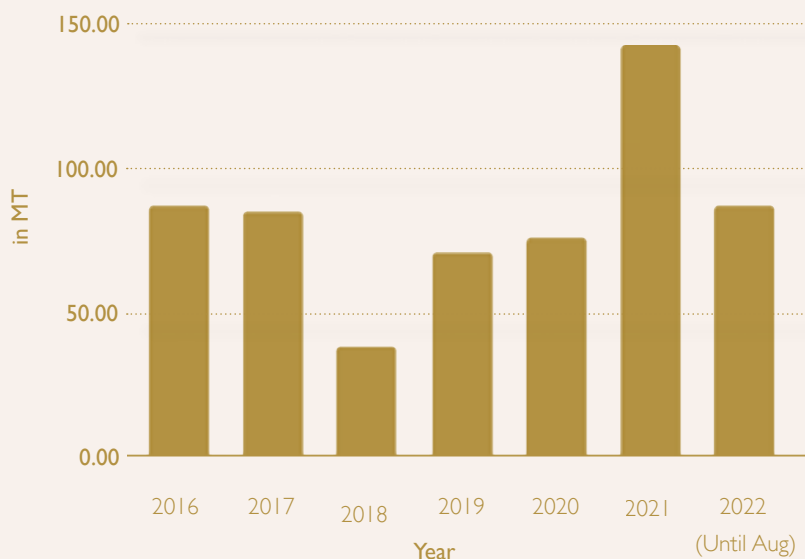
Other Costs

This is positive news for us. We hope that we are able to maintain and maybe even improve this number in the future.

We have been buying cacao beans from partner farmers since 2016. From then until now, we have been able to acquire a total of around 573 metric ton (MT) of dried fermented cacao beans valued at Php 82 Million Pesos or \$1.6 Million USD that were directly paid to our partner cacao producers.

We are incredibly proud of our progress for the past 7 years and we look forward for these numbers to grow even further so that we may be able to share more fine Philippine origin cacao beans to the world.

Metric Ton Per Year



OUR SUSTAINABLE SOURCING POLICY (SSP)



INTRODUCTION

Auro Chocolate is a tree-to-bar company that produces fine cacao and chocolate products made from sustainably sourced ingredients. Auro's Sustainable Sourcing Policy (SSP) demonstrates our commitment to working together with our stakeholders towards the long-term goal of making a positive impact on the lives of local farmers and the environment.

SCOPE

The SSP applies to all Auro employees, partners and suppliers and their employees and subcontractors providing products, materials, expertise and related services. It sets out the Core Principles and Mandatory Requirements that all stakeholders must achieve to establish and maintain a relationship with Auro.





CORE PRINCIPLES



Commitment to deliver programs that contributes to the improvement of the quality of life of our partner farming communities.

The communities we work with are a vital part of our success, and it is important to us that we contribute to the improvement of their quality of life. We are committed to do our best in creating programs that will empower our partner farmers and promote agriculture as a viable career for the next generation.



Promotion of directly-sourced local ingredients in order to improve quality and farmer income.

Auro is committed to promoting other local industries in order to create a positive impact in the agricultural industry and bring more farmers out of poverty. Auro aims to bring greater international awareness to premium quality Filipino products and important traditions that do not often get sufficient recognition. Imported ingredients will only be considered if locally produced alternatives do not exist, are not cost-effective, or are not compliant with international food safety and other relevant standards.



Business is conducted in compliance with applicable laws and does not engage in bribery or any other unlawful practices that compromises integrity.

All laws and regulations are complied with in the country of operation. All other applicable international laws and regulations are complied with including those relating to international trade, data protection and antitrust laws. There is a prohibition on any and all forms of bribery, corruption, extortion or embezzlement. All and any conflict of interest in any business dealings will be declared to Auro Chocolate. Any confidential information must not be shared with any third party unless expressly permitted by Auro Chocolate. All business dealings are transparently performed and accurately reported.



All stakeholders are treated equally and fairly with respect and dignity.

Auro Chocolate respects and complies with international labor standards as defined by core conventions of the International Labor Organization (ILO) and the UN Guiding Principles on Business and Human Rights. All employment must be voluntary and legally conducted. No worker is subject to any harassment or abuse. There is no discrimination in employment.



No child and forced labor.

Under no circumstances will child and forced labor be used according to prevailing ILO principles.



Land rights of communities, including indigenous peoples, must be protected.

The rights and title to property and land of the individual, indigenous people and local communities are respected.



Environmental impact must be considered at all times with the goal of enhancing biodiversity and becoming carbon/climate positive by 2025.

Negative impacts on the environment must be minimized, particularly on climate and biodiversity. Natural resources must be used for sustainability. Concrete steps must be taken to protect and preserve the environment.



Traceability must be ensured across the supply chain.

Adequate information must be taken and recorded throughout every step in the supply chain to increase transparency and traceability.



Health and safety must not be compromised.

Adequate steps are taken to comply with applicable laws and regulations, and prevent accidents and injury to health in the course of work by minimizing the causes of hazards inherent in the work environment.

REPORTING CONCERNS

Any concerns regarding failure to comply with this policy must immediately be reported to Auro Chocolate as soon as possible. Strictly no retaliation is allowed against those who report.

HOW WE SUSTAINABLY SOURCE CACAO



We are committed to building fair and sustainable partnerships that empower farmers to continuously improve both yield and quality. As instrumental partners of our journey and the guardians of the land they are nurturing, we are dedicated to creating a long-lasting social impact on their communities. We demonstrate this through the following action steps:



1 Additional Incentives Above the ICCO Market Price

We purchase cacao beans with an additional 10-15% premium above the ICCO world market price to incentivize quality and variety segregation while improving their income significantly.



2 Consistent Farm Technical Assistance

Our cacao technicians and agriculturists conduct farm visits to provide better assistance on what they can further improve for better quality beans and yield.

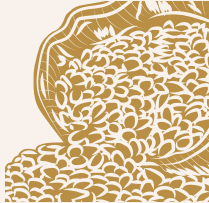


3 Holistic Farm Management Trainings and Seminars

We provide a variety of training programs on key topics such as Good Agricultural Practices (GAP), business and financial management to equip our partners with the knowledge and skills they need in cultivating their farms.

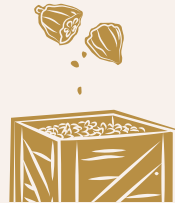
CACAO JOURNEY

Harvesting



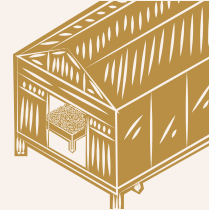
1. Fully ripened pods are carefully harvested from trees.

Fermentation



2. Wet cacao mass is fermented in wooden boxes for 4 to 6 days.

Solar Drying



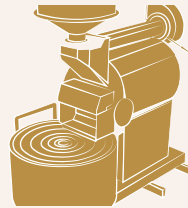
3. Fermented beans are placed on a solar dryer to reduce moisture.

Sorting



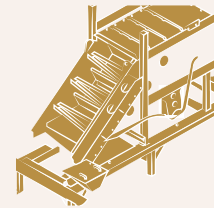
4. Fermented dried beans undergo through checking to ensure quality.

Roasting



5. Sorted beans are roasted to enhance flavor and eliminate bacteria.

Winnowing and Grinding



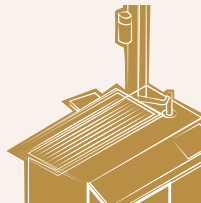
6. Roasted beans are broken into smaller pieces and winnowed to remove the other shell. Nibs are then ground in staged until smooth and silky.

Conching



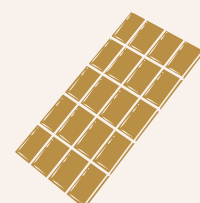
7. Cacao is mixed with other ingredients and conched, which is a kneading process that optimizes flavor and texture.

Tempering



8. Chocolate is tempered to have the right shine and snap.

Chocolate!



9. Tempered chocolate is put in moulds and packaged.

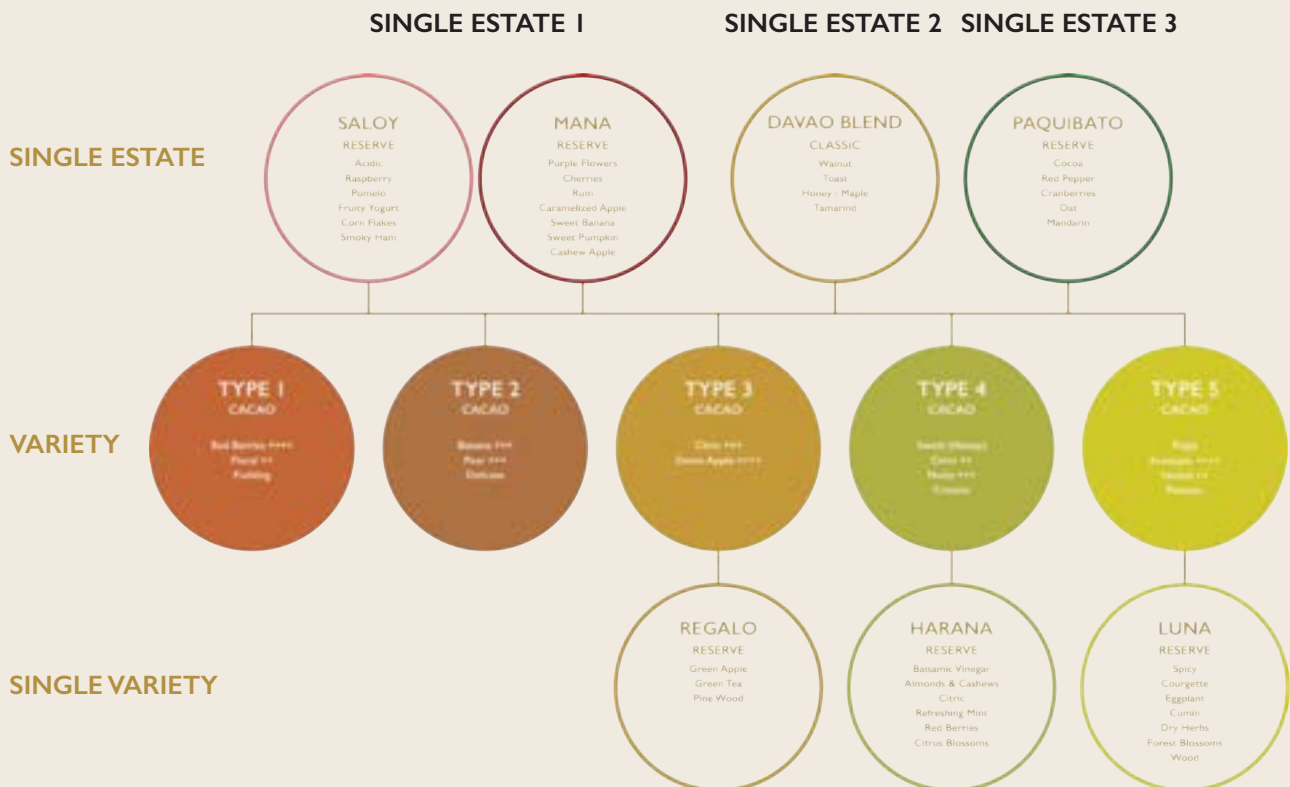
How We Sustainably Source Cacao

BEYOND TREE-TO-BAR



From the beginning, we wanted to make a sustainable impact at every step of the value chain. This means committing ourselves to consistency, quality, innovation, and social impact throughout the whole tree-to-bar process.

This starts by directly sourcing our cacao beans from farmers and farmer organizations to shorten the supply chain, which allows us to make a better impact on their income and the programs we can connect them to. Without a middleman, we can pay higher, and develop deeper relationships with each of them. Since we do everything within the Philippines, we can become more hands-on as we help them maintain good quality beans and provide access to training programs led by our team of cacao technicians and agriculturists.





These beans then undergo bespoke post-harvest protocols developed with the help of Dr. Zoi Papalexandratou of Zoto Cocoa Consultancy in Belgium. We have been working with her since 2018 and she has since helped us bring out the maximum flavour potential of the beans we have sourced from our different farming partners. These fermented beans are then sent to our 2,000 sqm factory in Laguna where the magic of our chocolate making process happens.

We passionately craft all of our products from scratch with the latest technologies and certifications in HALAL, Good Manufacturing Practices (GMP), and Hazard Analysis Critical Control Point (HACCP). Our commitment to quality and innovation allows us to honor the distinctive flavors of our heirloom cacao and transform them into original recipes using time-honored techniques.

FARMER SUPPORT



Providing farmers the support they need is another core part of what we do. As their partners, we want to ensure that we can help them achieve good quality beans and better yields. We understand that cacao farming is laborious and costly, which is why we try to provide contributions to their farm activities and improvements when we can.

During the past year, we were able to provide the following support:

Financial support for the Harvest Season

Every harvest season, we release monetary assistance to some of our smallholder farmers who help consolidate the cacao beans of our other partners in their area. The advance money helps them pay farmers for their beans immediately and prepare the logistics they need to transfer the beans.



Productivity Assistance for Farm Inputs

It takes great care and a considerable expense to produce good quality cacao beans. To help ease the burden in activities that smallholder farmers need to perform before and after harvest season, we open our assistance for any farm inputs they may need either financially or through in-kind contributions. This year, we were able to distribute sleeves that they use to prevent cacao pod diseases and lend some financial assistance. We are also looking to further improve the ways we can help by understanding how we can better provide access to inputs that they may need.

Field Advice and Farm Monitoring

To help our partners produce great quality cacao, we have our team of agriculturist and technicians conduct quarterly farm assessments for both conventional and organic farmers so we can help identify areas of improvement. This way, we are able to document the status of their farms, share historical data with the farmers, and help find solutions for any existing problems. We have initially started this program for our organic farmers but have finally started doing this for conventional farmers as well. We hope to be able to get valuable insights that can allow us to further help them.

Financial Support for Post-Harvest Facilities

Producing good quality beans often means having the capacity to have the correct facilities so farmers can effectively bring out its maximum flavour potential. While we do our own protocols, we also buy dried beans from select farmers. If we can, we offer financial support for the maintenance and repair of their post-harvest facilities to capacitate their farms.

Financial and Logistic Support for Nursery

Each area we work with offers unique cacao varieties that help shape the distinct notes of their beans. We recognize the importance of preserving and maintaining these existing varieties. Thus, we are working to offer financial and logistic support for a cacao nursery in their areas.

These are just a few ways we are able to provide support for our partner farms. We also conceptualize and manage community-based programs that target specific needs of select farmers to not only support their cacao activities but help improve their quality of life. We talk further about these projects at the latter part of this report.



OUR CACAO PRODUCERS



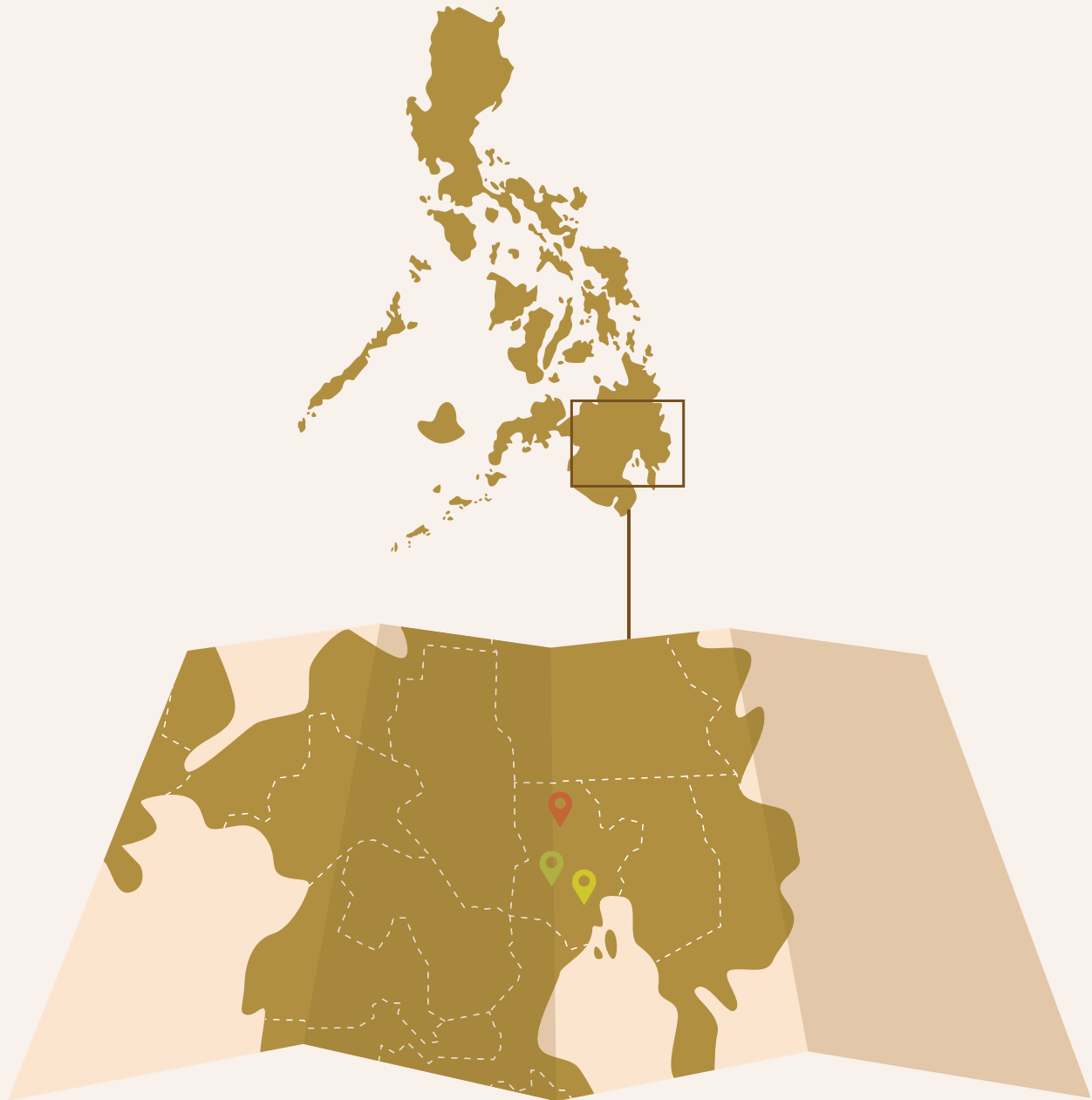
Our Cacao Producers
GET TO KNOW OUR PRODUCERS




8 cacao producing organizations, and 65 smallholder farmers representing almost 4,400 families and around 1,000 hectares of farm.

SOURCING OFFICE: Almacen, Kilometer 11, Catalunan Pequeno, Talomo, Davao City

CACAO COVERAGE: Davao del Sur, Davao del Norte*, Davao de Oro*, and North Cotabato*

*Certain areas only



-  Talomo, Davao City
-  Saloy, Davao City
-  Paquibato, Davao City

Cacao is intercropped with various fruits that often serve as shade. Commonly, it is planted with coconut and banana.

High peak season is expected from October to March, while the low peak season is expected from May to June.

Our Cacao Producers

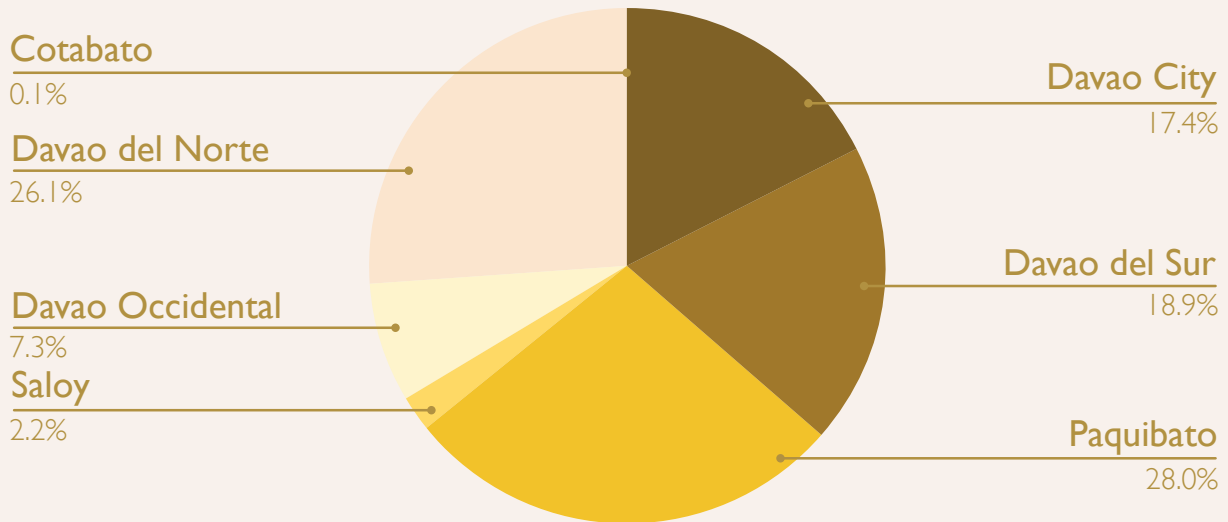
GET TO KNOW OUR PRODUCERS

We currently source our cacao beans from different partner farmers all over Mindanao, primarily in the Davao region, which has recently been named the “Chocolate Capital of the Philippines” for its rich supply of cacao beans. In addition to our existing areas around Davao del Sur, and Davao del Norte, we have also recently began expanding the coverage of our sourcing with new cacao beans coming from North Cotabato.

We also continue to partner with our two of our identified unique origins of cacao in the baranggays of Saloy and Paquibato, where high quality beans are sourced for our Reserve Collection bars.

The graph on the right side presents the number of partner farmers, farm workers, farm tenants, and cooperative members that we are able to reach through our sourcing of cacao beans in Mindanao.

LOCATION	TOTAL
Paquibato (Origin)	233
Saloy (Origin)	18
Davao City	145
Davao del Sur	157
Davao Occidental	61
Davao del Norte	217
Cotabato	1





Climate and the Cacao Season (2021 - 2022)

Last year, we shared our team's and partner farmers' observations on the changes we experience with climate and how it is affecting cacao production. We want to continue this as a way to raise awareness on the lived experiences of smallholder farmers and how it is affecting production of cacao which can subsequently affect their income.

The recent report from MEDA for their RIISA Project briefly tackles the same dilemma, highlighting the vulnerability of farmers to the impacts of climate change [2]. It is observable in Davao that cacao farmers are facing challenges like droughts, prolonged and heavy precipitations, and unpredictable climate patterns that have been negatively affecting the productivity of their yield. Currently, while there are policies that aim to protect the climate and environment, there is still limited access to programs and services that can alleviate this. In addition, while current cacao farming practices do not encroach on protected areas, there is a risk of this occurring as the crop becomes a more important source of income for the region.

It is especially important to consider this as most cacao farms practice agroforestry and are near the homes of various protected native and endangered species.

Last year, we also experienced how the unpredictable harvest patterns have affected the yield, delaying the farmers' income from the crop. This year, the situation remains the same, although farmers fear the harvest may be even later this time. One of the events they find to affect this is the excessive rain in the area causing the cacao flowers to fall even before they develop into pods. At times, this has led to the flushing of new leaves that have to be managed as it could prevent the productivity of the tree. Due to the erratic weather pattern, the harvest time for different trees does not occur at the same frequency as before, which seemed to result in low yields. It also appears to be affecting other fruits commonly found in the region like mangosteen, and lanzones.

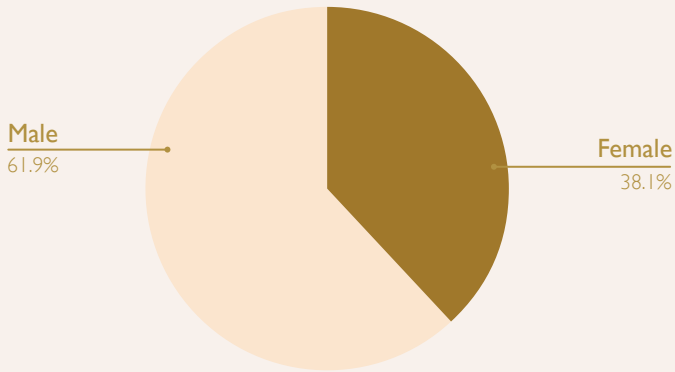
Our Cacao Producers

GET TO KNOW OUR PRODUCERS

As a tree-to-bar chocolate company, it is in our interest to share with the public our observations on the changes in climate and its effects on cacao season to raise awareness on how our planet is changing through the lens of our partner cacao farmers.

Gender Demographics

Women play a significant role in the cultivation of cacao and in its post-harvest activities. At Auro, we work with female cacao farmers and individual farmers who employ a significant number of female farm workers for tasks around the farm. Right now, we work with a total of 496 male and 305 female cacao partner farmers and workers.



Female Cacao Workers & Farmer Workers	395
Male Cacao Workers & Farmer Workers	496

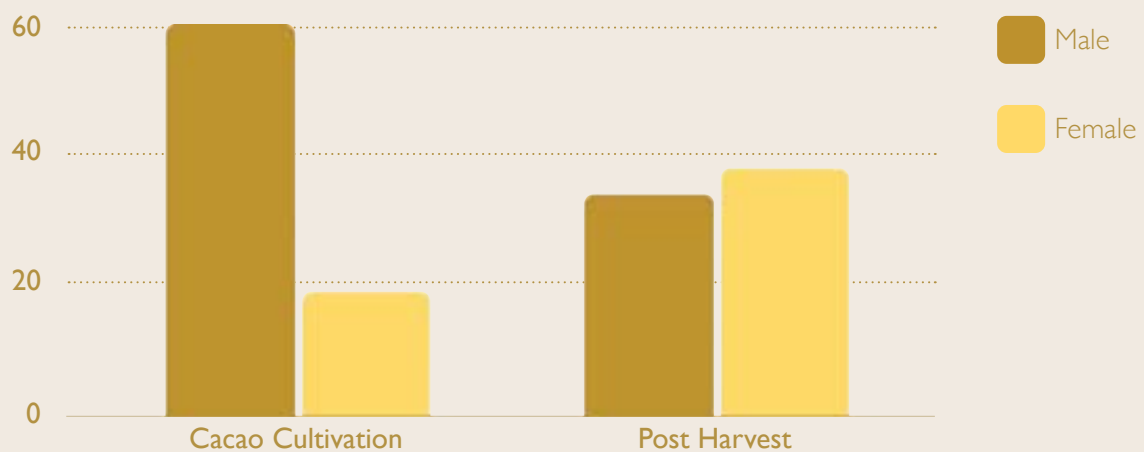


Looking deeper into the supply chain, we found that among our partner individual cacao farmers, more male farm workers are hired to do cacao cultivation labor while there are slightly more female cacao farm workers doing post-harvest labor in the farm.

TASKS	SEX	
	MALE	FEMALE
Cacao Cultivation	60	19
Post-Harvest	34	38



Male and Female Farm Workers According to Tasks



Gender Distribution of Farm Workers According to Tasks



As we try to understand the significant role of this gender distribution across our supply chain, we strive to continue giving equal opportunities regardless of gender identity with the goal to reach and provide opportunity to as many female cacao partners as we can. Currently, we are working with institutions that can potentially help us bring a more gendered approach to our sourcing practices. We hope to continue building a great future for cacao farmers of all genders!

Average Age

48

years old

Youngest Age

20

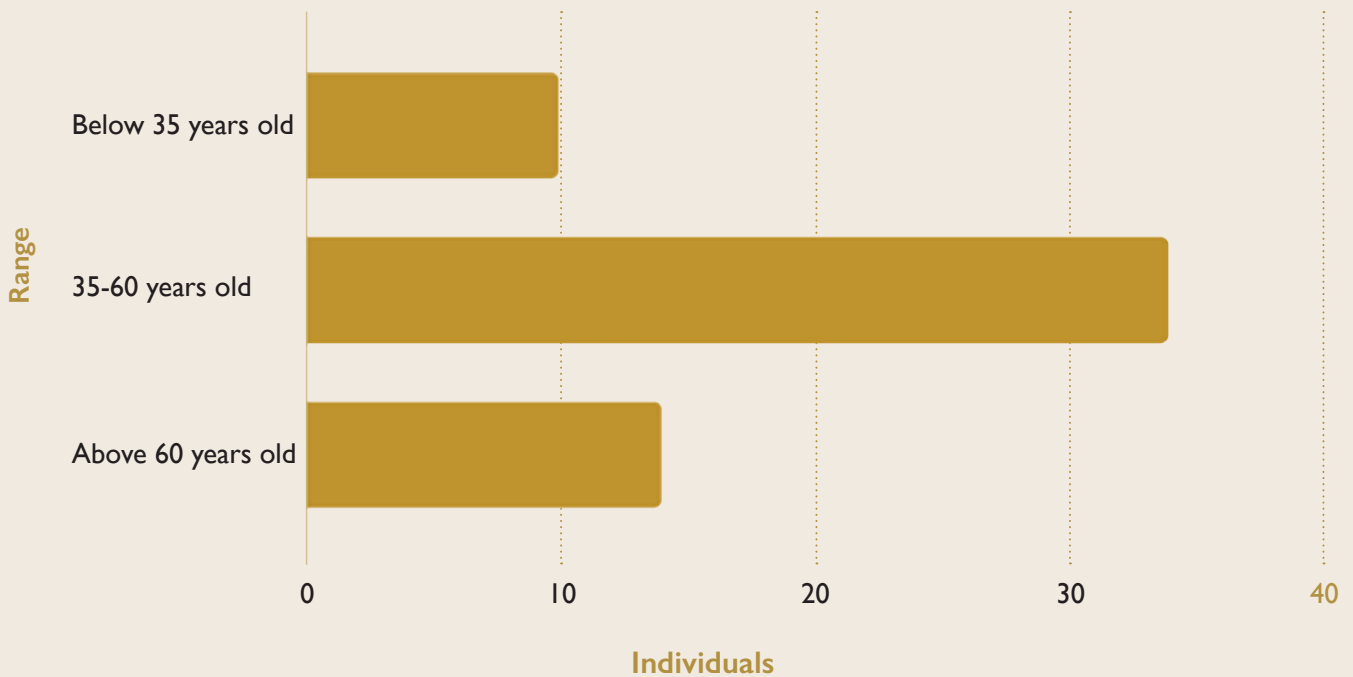
years old



Age Demographics

While the agricultural industry in the Philippines faces the challenge of the aging population of farmers, we are hoping our efforts to directly trade and implement programs to give assistance would inspire the new generation to see cacao farming as a viable career. The average age of our partner farmers is 48 years old, with most ranging from 35 to 60. We currently have a few partners below 35 years old whose numbers we hope to see growing over the next few years.

Smallholder Farmers Age Range





Total farmland for cacao

918.40

hectares

Average yield for ha.

0.16

MT per hectare

Our journey with cacao and chocolate started with the Davao region. This area is known to be one of the most agriculturally rich places in the Philippines. Dubbed as the “fruits basket” of the country, it boasts a great collection of fruits such as mangosteen, durian, banana, mango, and, of course, cacao.

We started our cacao journey in this region at Davao del Sur in 2015 where we met farmers who continue to share our vision to create fine quality cacao. With our partnership, we have applied a premium price that would significantly improve their income. Most of the farmers we have met during this time still remain as valuable partners to this day.

The farming communities that we work with are from different areas of Mindanao with unique cacao varieties that offer diverse flavor profiles. Most of our partner farmers are generally located in Davao del Sur, with farms situated around Davao City, namely in Calinan, Subasta, Tagakpan, Malabog. We also partner with the baranggays of Saloy and Paquibato, the pioneers of our single-estate origins product line. Outside the city, we source cacao beans from the rich farms of Kiblawan.



[4] By land size, Davao region accounts for the 78% production area in the country, approximately 20,00 hectares in 2020.

Our Cacao Producers

CACAO BLEND FEATURE: DAVAO



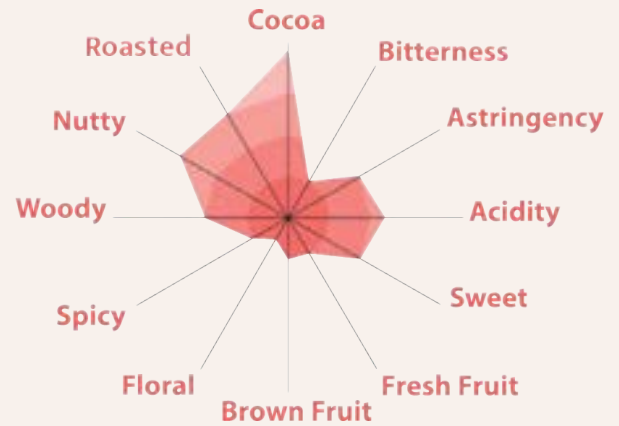
DAVAO BLEND

Estate: Davao, Philippines

No. of Farms: 3 - 5 farms

Trinitario Blend

Our Davao Blend represents the dominant flavors of the region of Davao del Sur. The cacao beans used for Davao are varieties that are commonly found in the area evoking flavor notes of walnut, toast, honey, and maple.



- Fermentation** : 6 to 7 days
- Number of turns** : 3
- Pre-drainage** : No
- Drying** : 7 to 8 days

AVG BEAN WEIGHT (G)	1.1
SIZE (BEANS/100G)	91

Walnut
Toast
Honey/Maple
Tamarind

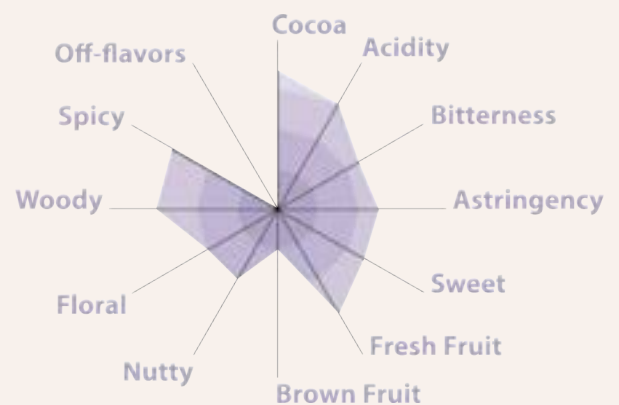
REGALO

Estate: Davao, Philippines

No. of Farms: 3 - 5 farms

Single Trinitario Variety

The cacao beans that Regalo is made from was a gift of a foreign country to the Philippines. It has proven to be a resilient and productive variety, helping many cacao farmers develop their cacao farms to what it is today. To honor its impact to our local communities, we named these beans as Regalo, which means “gift” in Filipino. Regalo is one of the first in our Reserve collection with hints of green apple, green tea, and pine wood.



- Fermentation** : 5 to 6 days
- Number of turns** : 2 to 3
- Pre-drainage** : Yes
- Drying** : 8 to 10 days

AVG BEAN WEIGHT (G)	1.36
SIZE (BEANS/100G)	73

Green Apple
Green Tea
Pine Wood

Our Cacao Producers

CACAO BLEND FEATURE: DAVAO



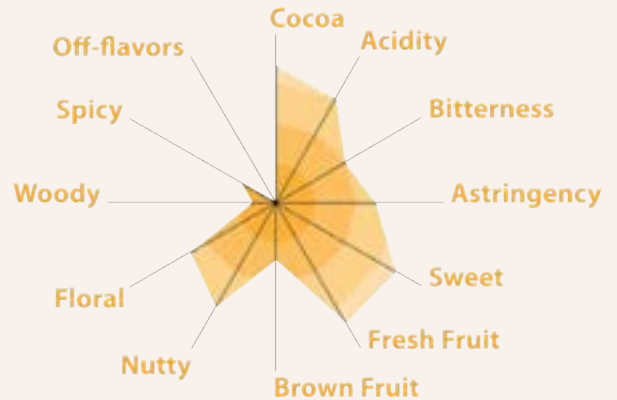
HARANA

Estate: Davao, Philippines

No. of Farms: 2 - 3 farms

Single Acriollado Variety

Harana means “serenade” in our language and that is how we felt when we first tasted these beans. With interesting flavor notes like citrus, red berries, almonds, and mint, the Harana cacao beans sing to you as you experience its flavors.



Fermentation : 5 days

Number of turns : 3

Pre-drainage : No

Drying : 8 to 10 days

AVG BEAN WEIGHT (G)

1

SIZE (BEANS/100G)

100

Balsamic
Almonds
Cashews
Citric
Refreshing Mint
Red Berries
Citrus Blossoms

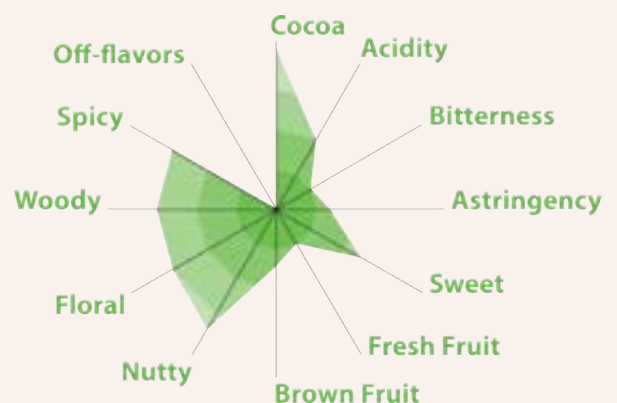
LUNA

Estate: Davao, Philippines

No. of Farms: 4 -6 farms

Single Catongo Variety

Luna is derived from the Filipino word “Paraluman” which refers to a “muse” or a source of inspiration. This particular variety is actually one of the rare beans found in the country with a natural sweetness to it and a whitish color to its beans. With rich flavor notes of eggplant, forest blossoms, wood, cumin, and dry herbs, we find this blend to be inspiring to taste.



Fermentation : 5 days

Number of turns : 2

Pre-drainage : Yes

Drying : 8 to 10 days

AVG BEAN WEIGHT (G)

1.58

SIZE (BEANS/100G)

63

Spicy
Courgette
Eggplant
Cumin
Dry Herbs
Forest Blossoms
Wood



Total farmland for cacao

30.90

hectares

Total land for cacao

19.40

hectares

Flavor Profile:

Complex Tropical and Berry Notes with a subtle spice and earthy finish.

One of the communities we work with is the town of Saloy. Situated between tropical mountain forests, Saloy is a small community in Davao nourished by the fresh spring water flowing through its lush farms. It is part of an agricultural region in the Philippines wherein farming of cacao, copras (kernel of the coconut), and a variety of local fruits and vegetables are the main livelihood sources. They are also the source of one of our Reserve Bars named after their inherited lands: Mana. by 2022.

Here in Saloy, our partners have formed a people's organization called Saloy Organic Farmers Association (SOFA) to coordinate their efforts to convert to organic farming practices. They are a part of one of our community programs, the Organic Certification Program (OCP), where Auro Chocolate assists them in their organic conversion by providing training, inputs, and sponsorship of the certification fees. Together with SOFA, we are hopeful to obtain the organic certification by 2022.

PAYMENT TO FARMERS	WEIGHTED AVERAGE PRICE / MT	
	PHP	USD
Total Payment to Farmers	₱8,921,495.30	\$178,429.91
Included Premiums	₱1,803,445.20	\$36,068.90

BEAN TYPE	WEIGHTED AVERAGE PRICE / MT	
	PHP	USD
Dried Beans	₱151,782.38	\$3,035.65
Wet Beans	₱42,520.85	\$850.42

Our Cacao Producers

CACAO BLEND FEATURE: MANA



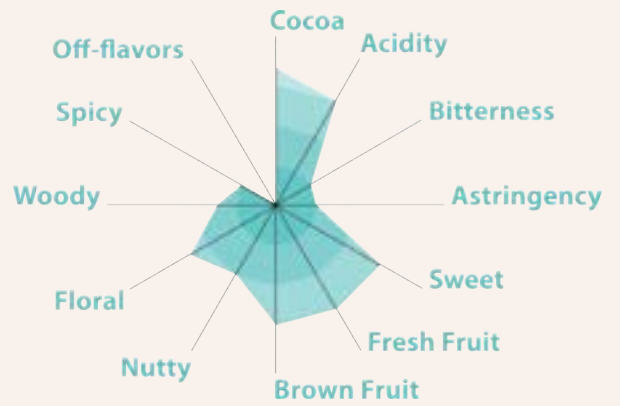
MANA





Estate: Saloy, Davao, Philippines

No. of Farms: 15 - 16 farms

Forastero Trinitario Blend

The word “mana” in Filipino means “inheritance.” We have named our blend as such as the community we source it from, Saloy, Davao, are primarily made up of generations of cacao farmers with a rich history. The beans from their farms have rich flavors of purple flowers, cherries, rum, caramelized apple, sweet banana, sweet pumpkin, and cashew apple.



-  **Fermentation** : 4 to 5 days
-  **Number of turns** : 2
-  **Pre-drainage** : Yes
-  **Drying** : 8 to 10 days

AVG BEAN WEIGHT (G)	1
SIZE (BEANS/100G)	100

- Purple Flowers
- Cherries
- Rum
- Caramelized Apple
- Sweet Banana
- Sweet Pumpkin
- Cashew Apple



Our Cacao Producers

PAQUIBATO



Total farmland

91.85
hectares

Located on the opposite side of the mountain from Saloy, Paquibato is a special community where more farmers are focusing on cacao farming to help break the cycle of conflict. With abundant coconut and other fruit trees, they grow some of the best cacao in the Philippines. The area used to be home to the indigenous tribes of the Ata-Uvu-Manobo, or “dwellers of the highland” who inherited the rich culture of the Negritos and Malays. It is the source of one of our single estate origin bars, named after their town.

Total land for cacao

62.1
hectares

It is also in Paquibato where one of our partners, Mr. Jose Saguban resides. In 2019, he brought honor to the country when his beans won among the Top 20 Best Cacao Beans in the World by the Cocoa of Excellence Awards during Salon du Chocolat in Paris. This is the first time the Philippines has received this award.



Mang Jose has recently passed away in July 2021. We want to continue to honor his memory and achievement in bringing home a historic first for the Philippines. He remains an inspiration to us and the cacao farmers all over the country.

Flavor Profile:
Floral and nutty taste with hints of raisin and pineapple

PAYMENT TO FARMERS	PHP	USD
	Total Payment to Farmers	₱3,228,127.00
Included Premiums	₱457,338.10	\$9,146.76

BEAN TYPE	WEIGHTED AVERAGE PRICE / MT	
	PHP	USD
Wet Beans	₱40,513.64	\$ 810.27

Our Cacao Producers

CACAO BLEND FEATURE: PAQUIBATO



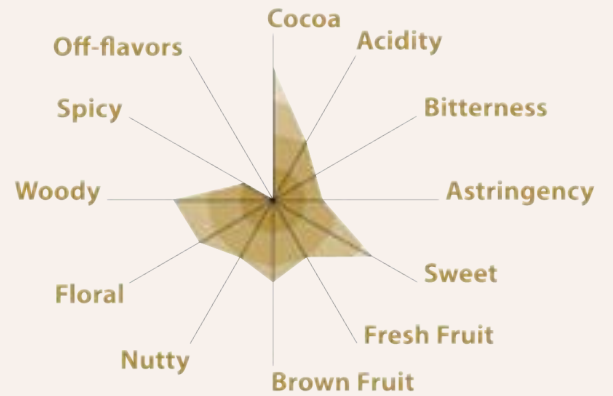
PAQUIBATO

Estate: Paquibato, Davao
No. of Farms: 100 - 150 farms
Trinitario Blend

Auro Chocolate and Jose Saguban of Paquibato made history by winning the first ever Top 20 best cacao beans in the world for the Philippines during the 2019 International Cocoa Awards (ICA).

Our Paquibato blend hail from a special community where more farmers are focusing on cacao farming to help break the cycle of conflict. With an abundance of coconut and other fruit trees, they grow some of the best cacao in the Philippines. Their beans have rich flavors of forest valley flowers, dark honey, caramelized nuts, peach, and citrus.

- Fermentation** : 5 to 6 days
- Number of turns** : 2
- Pre-drainage** : Yes
- Drying** : 5 to 6 days



AVG BEAN WEIGHT (G)	1
SIZE (BEANS/100G)	100
Forest Valley Flowers Dark Honey Caramelized Nuts Peach Citrus	



SOCIAL IMPACT



Making the Cacao Journey Impactful

We want to further demonstrate our commitment to creating a long-term positive impact on the lives of our partner farmers through community programs that address their needs, and potentially open new opportunities for their cacao and land.

Improved Cacao Farmer Program

In the past year, we have taken our time to look at the journey of each of our cacao farmers to understand how we can improve our partnership. In doing so, we have made adjustments to the services and journey they can have as our official partners.



A New Cacao Journey

As part of our mission, we want to go beyond with our partnerships and help empower and capacitate our partner farmers. Which is why we have started to rethink the journey we can offer to cacao farmers.

Our new, revamped program now considers how we can help improve the performances of each of our partner farms with the help of our own cacao experts and agriculturists with better training, a quarterly assessment of their farms, productivity assistance, and programs that can help improve their quality of life. In addition, we want to honor or reward the farmers who perform well by hailing them as our Auro Cacao Champions.

Monitoring Farm Improvements

Through our team of technicians and agriculturists, we conduct field visits and quarterly monitoring of the performances of the farms of our partners. They are rated according to a scorecard we have formulated to help understand the performance of each farmer. This data is shared with them as our team provides much needed advice for improvement of their farms.

Those who are consistent and continuously improve are able to access more of our ongoing and upcoming community programs that can provide even more opportunities for them.

Auro Cacao Champion

To recognize our farmers who have been doing an outstanding job and have been long-time cacao partners, we have launched a title to designate them as our Cacao Champion. By being one, they become our trusted partners that offer more opportunities for programs, and even become involved in the training or assessment program that we do.

We aim to empower more farmers to become cacao champions and perhaps expand our cacao journey program to become even more impactful in the future.



The Organic Conversion Program (OCP) is an initiative we have launched to support and assist our participating partners in their organic conversion journey.

Obtaining an organic certification from international certifying bodies provides great benefits for both the farmers and the environment. For the farmers, it opens up new markets that they previously could not access.

For the environment, this means the elimination of the harmful chemicals involved in conventional farming methods, allowing the area to be safer for nature and the animals that thrive there. It also makes the land healthier for the use and benefit of future generations.

For this purpose, Auro Chocolate has launched the Organic Certification Program (OCP) to assist our farmers in obtaining the tools and knowledge they would need to preserve the organic integrity of their cacao beans and create a positive impact to the environment.

To achieve this, we have established three (3) action steps that will enable our partner communities to become fully certified organic farmers:

1 Conduct Trainings

We conduct free, regular training on Good Agricultural Practices (GAP) and organic farming standards with a partner organization to equip our partner farming communities with the knowledge they need. The non-governmental organization of Magsasaka at Siyentipiko para sa Pag-unlad ng Agrikultura (MASIPAG) is currently providing us technical assistance in conducting our organic training sessions.

2 Conversion of Practices to Organic

We help monitor the progress of our partner farmers through the development of an Internal Control System (ICS), and assist them whenever necessary as they change and improve their practices in accordance with the standards set by organic certifying bodies.

3 Sponsoring the Organic Applications

Auro Chocolate will be sponsoring the certification by covering the full cost of the farmers' application for organic certification. In addition, their cacao will be purchased at an agreed premium price as long as they pass the prescribed organic standards.

The Saloy Organic Farmers Association (SOFA) and the future with Organic Cacao

Our current beneficiary for this program is a group of smallholder farmers in Saloy, Davao - one of our dedicated partner communities since the beginning of our chocolate journey in 2015. They have formed a people's organization called the Saloy Organic Farmers Association (SOFA) under our Organic Conversion Program (OCP).

They are currently led by Farmer Policarpo Enricos, Jr., the elected President who also serves as a pastor for their community. Through this program, we are able to provide training on proper organic practices despite the challenges, the cacao farmers of Saloy are determined to gain their certification by 2023.

Since the previous year, they have taken several steps to convert their farms. We work closely with them, providing assistance and support whenever we can.

Several new farmers have also expressed interest in the program. We have already met with new potential batches of our Organic Conversion Program that will pave the way for more sources of healthier, fine flavoured cacao. It has always been our goal that the Organic Certification Program open the path for more cacao farmers to take up organic farming for a long-term positive impact on the health of the land and communities that live in it. We look forward to a more organic future!



CrowdFarming has been one of our longest and trusted partners in shortening the supply chain. The project provides a direct relationship between individuals and the farmer by enabling the adoption of a cacao tree in exchange for receiving their harvest in the form of assorted Philippine chocolate bars.

Through the CrowdFarming website, customers adopt trees from farmers who are dedicated to nurturing them through organic farming methods. Through this program, assistance is provided to farmers for the cultivation of their trees and an incentive is given by Auro Chocolate for their cacao.



Rolando “Serge” Bueno

Farm size

2

hectares

Available Trees for Adoption

1,000

cacao trees / hills

Mr. Rolando Bueno, known as “Serge,” is a retired sergeant of the Philippine Marines who is now working with his fellow retirees to grow and cultivate cacao. His farm is located at the foothills of Mt. Apo, the highest mountain in the Philippines, where the combination of the mineral-rich volcanic soil and the humid tropical forest climate make the land incredibly fertile. Serge and his team help preserve the health of this land by practicing organic farming methods such as creating their own non-residual organic pesticide and planting crops that allow beneficial insects to thrive.

Serge’s farm focuses on the cultivation of Heirloom Criollo — a cacao variety that is one of the most sought after in the world due to its rarity and unique flavour profile. It was first brought to the Philippines through the Manila-Acapulco Galleon Trade in 1670 and was almost endangered as it was gradually replaced by hybrid varieties. Together with Auro Chocolate, Serge aims to preserve this variety by restoring our native Criollo and transforming it to fine chocolate.





Policarpo Enricoso, Jr.

Farm size
2
hectares

Available Trees for Adoption
2,000
cacao trees / hills



Mr. Policarpo Enricoso, Jr. is one of our partners from the community of Saloy, Davao. He has been farming for around 20 years, having been introduced to the career by his parents, both of whom are also farmers. He works closely with his family in managing the farm without hiring any additional workers - they share the tasks and profits of their labor. He started working with Auro Chocolate in 2015 when the Josefa Segovia Foundation connected him to other cacao farmers who were looking for dependable long-term partners.



He leads the community of Saloy in their conversion to organic farming. He was elected as the president of the Saloy Organic Farmers Association (SOFA) which was recently formed under Auro's Organic Certification Program. He works hard to fulfill his duty as a leader and finds it rewarding despite having to walk several kilometers to pass on information and initiate their meetings. They have been diligently attending regular training, learning the ropes of organic farming and applying it to their own farms. He finds the journey to convert to organic to be challenging but exciting because he believes that it will greatly benefit the environment, allowing the soil to be free from chemicals and toxic substances enabling them to pass on a healthy land to the next generation. Together with the organization, he hopes to get their farms' international certification by next year.



Auro Chocolate's Nursery Program is an initiative to help sustain the future of cacao farming in our partner farming communities. For generations, the smallholder farmers in the areas we work with have cultivated unique cacao varieties that helped shape the distinct notes of their beans.

The rich flavour profile of their beans has opened up new opportunities for them including receiving various international awards that have brought much recognition and opened up new markets that help sustain their farms. However, there is a recent threat of these unique profiles potentially disappearing in the form of new varieties being slowly distributed in the area.

As their partners, we recognize the importance of ensuring the persistence these existing varieties in local farms. We have worked together with the leaders of the communities to form the Nursery Program, focusing on the safeguarding of existing cacao varieties in their areas. By providing financial and technical support for the nurseries, we help communities guarantee a future for cacao and the preservation of these origins' identity and securing a livelihood for present and future cacao farmers.

Furthermore, by providing better accessibility to the cacao seedlings, we empower them to continue their practices of agroforestry and organic farming practices, allowing us to work together in protecting and preserving the environment.

Program Details

Through this program, we are able to guarantee a hopeful future for cacao farmers while ensuring the preservation of each community's flavour identity.

With the Nursery Program, Auro is:

- providing around 10,000 seedlings from the community;
- conducting nursery management training; and
- committing to provide support to monitor the productivity of the trees and assist in its improvement through field visits and quarterly assessments.

We will provide support in productivity assessments of these farms with a minimum yield goal that can ensure a productive future for their farms. As their partners, we commit to be with them every step of the way and provide the necessary support. We hope to build a bright future for fine flavoured, sustainable cacao.



EXPANDING OUR IMPACT

Partnerships for a Cause

As advocates of a sustainable future for cacao farming and beyond, we work with several amazing partners who share the same vision as us. In this section, we want to briefly introduce a few partners we currently work with who are also making strides in building a better, sustainable future for all.

MEDA

Mennonite Economic Development Associates (MEDA) is a Canadian-based NGO currently in the Philippines to implement a Global Affairs Canada-funded project entitled Resilience and Inclusion through Investment for Sustainable Agriculture (RIISA). The project focuses on increasing the economic prosperity of smallholder cacao farmers. This is being done through technical assistance and incentives to cacao Cooperatives and Small and Medium Enterprises (SMEs), and by preparing them to access investments on Environmental Social & Governance (ESG) considerations.



Figure A

For MEDA, sustainability initiative is not simply a continuation of a specific intervention but an impactful change in the agri-food market system (see Figure A). Systems change becomes sustainable when it sufficiently resolves a few key drivers (incentives, rules and enabling environment, and supporting functions); such that the “system that once perpetuated a problem, now perpetuates a solution.” For the RIISA Project, it adopts MEDA’s Market Systems Development Approach (Figure B).

The sustainability in this approach means that a change in the processes within the cacao market systems will generate sustainable and inclusive social, environmental, and economic benefits for women and men, youth, and IP’s small-scale and smallholder food producers and cacao farmers, and community-level economies. MEDA believes that systems change is sustainable when there is shift in the power dynamics, mindsets, and in inherent conditions that propagate gender and social inequalities and environmental harm in the cacao market systems. Governance (ESG) considerations.

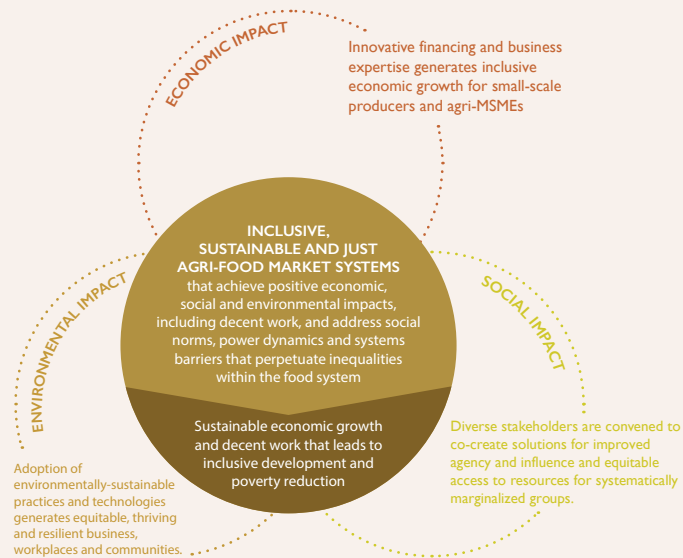


Figure B

For MEDA thru its RIISA Project in the Philippines, the expectation is that clients and recipients of MEDA’s support will achieve the following: (a) desired environmental impact for women and men in adopting environmentally sustainable practices and technologies that generate equitable, thriving, and resilient businesses, workplaces, and communities; (b) desired social impact for stakeholders to co-create solutions for improved agency and influence, and equitable access to resources for systematically marginalized groups such as women, youth, and IPs; and, (c) economic impact resulting from innovative financing and business expertise from MEDA’s support and generate inclusive economic growth for women and men, youth, and IPs’ small-scale producers and SMEs in the cacao sector.





The town of Itogon, the largest municipality in Benguet by land area, is a mining town and the site of the first large-scale mining operations in the country. In 2018, Itogon was devastated by landslides due to typhoon Ompong and excessive mining activities. As an immediate aid to the community, a small team from Henry & Sons led a humanitarian mission to deliver water and food supplies to the victims of the landslides. During the visit, the team discovered that the ancestors of the miners were coffee farmers and that the community had century-old coffee trees. The team at Henry & Sons then spent the last three years transforming and helping Itogon become a coffee farming community once again.





Established in 2012, HOPE is a B Corp-certified organization that began with the goal of making it easy for Filipinos to vote with their peso about what was important to them. In partnership with the Department of Education, HOPE commits 100% of its profits from its flagship product HOPE in a Bottle towards building public school classrooms across the Philippines where they're needed the most. With every bottle purchased, every Filipino gets the chance to contribute to social good.

Apart from the impact made through educational infrastructure, HOPE continues to look for new ways to engage individuals in making the world a better place. In 2014, we expanded our efforts to include agricultural initiatives that aim to improve the livelihoods of our smallholder coconut farmers by providing the tools and training needed to boost their harvest.

Most recently in 2019, HOPE also expanded its impact area towards the environment. Not wanting to solve one problem in education while creating another in the environment through the plastic we produced, we committed to taking responsibility for its plastic footprint. HOPE became the first brand in the Philippines to achieve Net Zero Plastic Waste in 2018, and has since continued its commitment to offsetting its plastic waste footprint.

Much recently, the organization took this a step further by engaging with women micro-entrepreneurs who manage plastic waste-to-cash sites that provide them and their communities with additional incremental income.

From education, agriculture, to environment efforts, HOPE strives to inspire everyone to be heroes for the world.



WHAT'S NEXT?



What's Next?

CONCLUSION

It's now our second sourcing report and we have made big steps in the past year in improving our cacao program with the intention of creating a more sustainable system for our cacao partners. We have also been working more closely with our partners than ever as we provide more in-depth assistance to their farms through our assessments and field visits. This has provided us with more insights and understanding of how we could improve our practices.

Meanwhile, we continue to do our social impact programs such as the Organic Conversion Program (OCP), CrowdFarming, and the new Nursery Program. We are making great progress on these programs as more farmers become interested to join and become a part of it. It has allowed us to build better relationships with our partners while working hand in hand towards our common goals. We have also been working with more external partners on projects that will create more impact for our partner cacao farmers and in the agricultural landscape of the Philippines. We are happy to have been able to briefly introduce you to a few of them and we hope that we can build more social impact partnerships in the future.



This year has also been really positive for us as we have also been able to buy significantly more cacao beans than the previous year. It's a good indication of the moving economy and growing market for Philippine cacao. As we move forward, we think about how we could expand our impact and connect with a wider network of partner cacao farmers. So we have been working diligently in getting to know more farmers with the potential to make fine quality cacao beans while providing them the assistance that they need to achieve this. It's been very exciting for us to explore, and we can't wait until we get to introduce even more farmers to you.

This second sourcing report is a demonstration of our continuing commitment to transparency and traceability of our products as well as to hold ourselves accountable on our operations. By laying bare our practices, we hope to promote the value of direct trade and traceability in the country.

As we move forward, we are aiming to increase our efforts for sustainable development, not just for our partner farmers, but also for our overall operations.

Specifically, we are aiming to:

1. Reach more cacao farming partners;
2. Involve ourselves in initiatives for the conservation or preservation of our environment;
3. Improve our sourcing practices and programs to become more gender-focused with the help of our external partners

With those in mind, as we commit ourselves to annually report on our practices, we hope to be able to identify ways we could improve and assist in improving the quality of life of our partner cacao farmers. As a chocolate social enterprise, we grow conscious of our role to improve the quality of life of our partner farms and in supporting or initiating efforts to protect and preserve the environment.





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