



Production of Organic Peruvian Cacao

Environmental & Sustainability Policy

Environmental Business Mission: Striving to become an industry leader in protecting the environment through socially and environmentally conscious operations and business practices. We are dedicated to a sustainable future and to improving the social, economic, and environmental status of Peru.

Mission: Our company does not procure or produce conventional cacao. We buy certified organic cacao beans that are free of pesticides, chemicals, or fertilizers. We are committed to increasing the development of direct-trade organic farming within the Peruvian agricultural supply chain.

Compliance with Environmental Legislation: We comply with all national and international legislation regulating our company.

Waste Management Policy:

Cacao Shells: The highest quantity of waste that we accumulate from our production of organic cacao, is the excess cacao shells that we cannot sell to companies who typically produce tea. Our policy is to donate all excess cacao shells to local farmers. These farmers mix and feed the shells to their livestock and use them as an organic natural fertilizer within their farms.

Recycling: We separate all our recycling waste from regular waste which is then collected and taken to specialized third party entities to recycle. Corporate recycling is not a state provided service and we go to considerable effort to ensure all recyclable products are diverted from landfills.

Materials: Our packaging material is recyclable. Both the inner bags used for packaging bulk product, as well as retail bags, and shipping boxes are made with recyclable material.

We undertake our best efforts to re-use materials in our manufacturing, logistics, and warehousing, with the goal to reduce the quantity of waste which we accumulate.

Education and Training of Employees: We train our employees to operate in a manner which will result in the lowest quantity of waste within their day to day operations.

Pollution Reduction Policy:

Natural Gas: Our manufacturing machinery is powered by natural gas, in our best efforts to operate while emitting the lowest levels of emissions, in our best efforts to reduce pollution.

This Product Plants One Tree: We donate 1% of all retail sales of our branded products to “This Product Plants One Tree”. We specifically allocate funds to environmental campaigns that have a premise of improving the eco-system of the Amazonian rainforest.

Supplier Sustainability & Collaboration Policy:

Organic Certifications: We buy certified organic cacao beans from certified organic, trusted co-operatives and farmers. We guarantee compliance through independent laboratory testing which confirms the cacao beans within our supply chain are free from pesticides. We conduct onsite audits of our suppliers to ensure they adhere to high standards of sustainability and environmental best practices.

Sustainability: We are not domestic or international traders of cacao who sporadically enter the Peruvian cacao market and buy on spot or for the lowest price possible. We are producers located within the community and require sustainable business relationships with our famers and co-operatives. We view our suppliers as our partners and rely on them to provide us with long term supply programs consisting of high-quality, certified organic, raw cacao beans while undertaking sustainable business operations and practices. To ensure lasting and sustainable relationships with our farmers, we pay all our farmers a fair price for their raw materials.

Direct Trade Policy:

We believe in **direct trade** with our suppliers and supply chain partners, and our policy is to promote direct trade and keep the revenue from the Peruvian cacao industry in Peru.

We have witnessed the expansion and popularity of international trade certifications administered through international corporations having negative economic impacts on some of our suppliers and partner producers of cacao beans. These negative economic impacts are especially evident for smaller farmers and cooperatives and for this reason and others, is why we do not join, or support certifications or international corporations who own them.

The annual membership fees for trade certification memberships costs thousands of dollars. The price of membership ranges depending on the popularity of the certification

agency. Our first issue with these trade certifications is that the corporations who own these certifications are international, and *none of the money paid to join these certification agencies stays within our local economy.*

The corporations which administer the certifications require expensive certification memberships for **both** the producer of cacao beans **and** the **manufacturer** (us) who uses the cacao beans for production of cacao derivatives and chocolate. Membership is required for every entity within the supply chain for the product to be certified. As such, before the supplier has produced any cacao beans or the manufacturer has made or sold any cacao derivatives, both companies are in a large deficit from the membership fees.

The role of the certification agencies is to view the prices that manufacturers are paying the farmer/ cooperative for the cacao beans to ensure that the price is at or above the price of the trade certification's threshold.

Increasing popularity of these certifications has resulted in pressure from customers within North America and Europe who are now requesting their cacao derivatives be certified by these entities.

Smaller farmers in Peru who used to supply these manufacturers are now being advised to join these trade certification organizations which will guarantee them a minimum price of their cacao beans but have a large expenditure for the cost of membership. The smaller farmer is now placed in a difficult situation. If they join the trade organization, they will receive a minimum price for their cacao beans which might have no financial impact on them, as the minimum price they are being guaranteed to receive is usually equal to, or slightly higher/ lower than the price they are currently receiving. As such, the result of joining the trade organization is placing a large cost on a small farmer while possibly earning no additional revenue for their cacao beans. If they pay the membership fees but cannot sell all or most of their production to other members, they will sell most of their production to their regular customers while having paid a high membership cost which doesn't guarantee them sales.

Smaller farmers are sometimes required to come together and form co-operatives (whose numbers are increasing) so that they can afford to join the trade organizations in order to continue to supply existing customers and not lose them to farmers and cooperatives who have paid for membership.

We work with both medium sized and small sized cooperatives. For smaller sized cooperatives where the number of farmers is limited, membership fees for the certification agency are unaffordable.

Our suppliers and partners especially those smaller in size prefer to supply us with high quality certified organic cacao beans at fair prices which makes our product competitive

in the market. This allows us to provide them with steady demand for their crops, without us both having to pay expensive membership fees to international organizations. We believe that direct trade is in the best interests of the Peruvian cacao industry.

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