ACTIVITY REPORT 2022

APRIL 2023

Content

Introduction

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Managing Director

"2022 laid the expected and necessary foundation for the next successful and probably eventful 2023. We remain optimistic and keep rowing together."

Choba Choba means in Quechua "I help you, you help me", and is a day-to-day practice of the communities in the Huayabamba valley, an area in the Peruvian Amazon - San Martin region; in which the cultivation and commercialization of cocoa are the main economic activity of the population. This philosophy guided us during the 2022-year activities and initiatives. A period during which we diligently continued to work together with our Choba Choba Community to enable the environment for small-scale cocoa farmers to succeed as empowered entrepreneurs, professionals in their fields, and as key drivers in their region to foster transformative change with agroecological practices and nature conservation.

Choba Choba Foundation was created in December 2019. 2022 was the hump year of our 2021-2023 first cycle as a foundation. Therefore, like the previous two years, in 2022, we dedicated ourselves to fulfilling the requirements and needs of the various stakeholders around a foundation like ours and continued to improve our foundation management. For the projects in our two areas of action Professional Agroecology and Conservation, improvement efforts were carried out in the design, implementation, monitoring, and reporting. Special attention was paid to smoothening the collaboration with our local partners to improve our working and reporting methods. These processes often developed in a co-creational, collaborative, and learning-by-doing manner. The following pages detail the 2022 project activities, key results and lessons learnt from our projects Professional Agroecology, Conservation and Use of the Cacao Genetic Diversity, and Community based Forest Conservation in the Huayabamba valley. And central insights from the field are shared by the farmers in the testimonial interviews.

After such a demanding year, presenting these satisfactory results is possible thanks to the efforts and contributions of our resilient Choba Choba Community members, including the farmers. This is a farmer-centric ecosystem envisioning a world where the small-scale cocoa farmer is a self-confident professional entrepreneur, lives a prosperous life, is an agent for environmental safeguarding, and sets a living example for other small farmers, with the belief that agriculture and nature could complement each other and do not have to be in conflict.

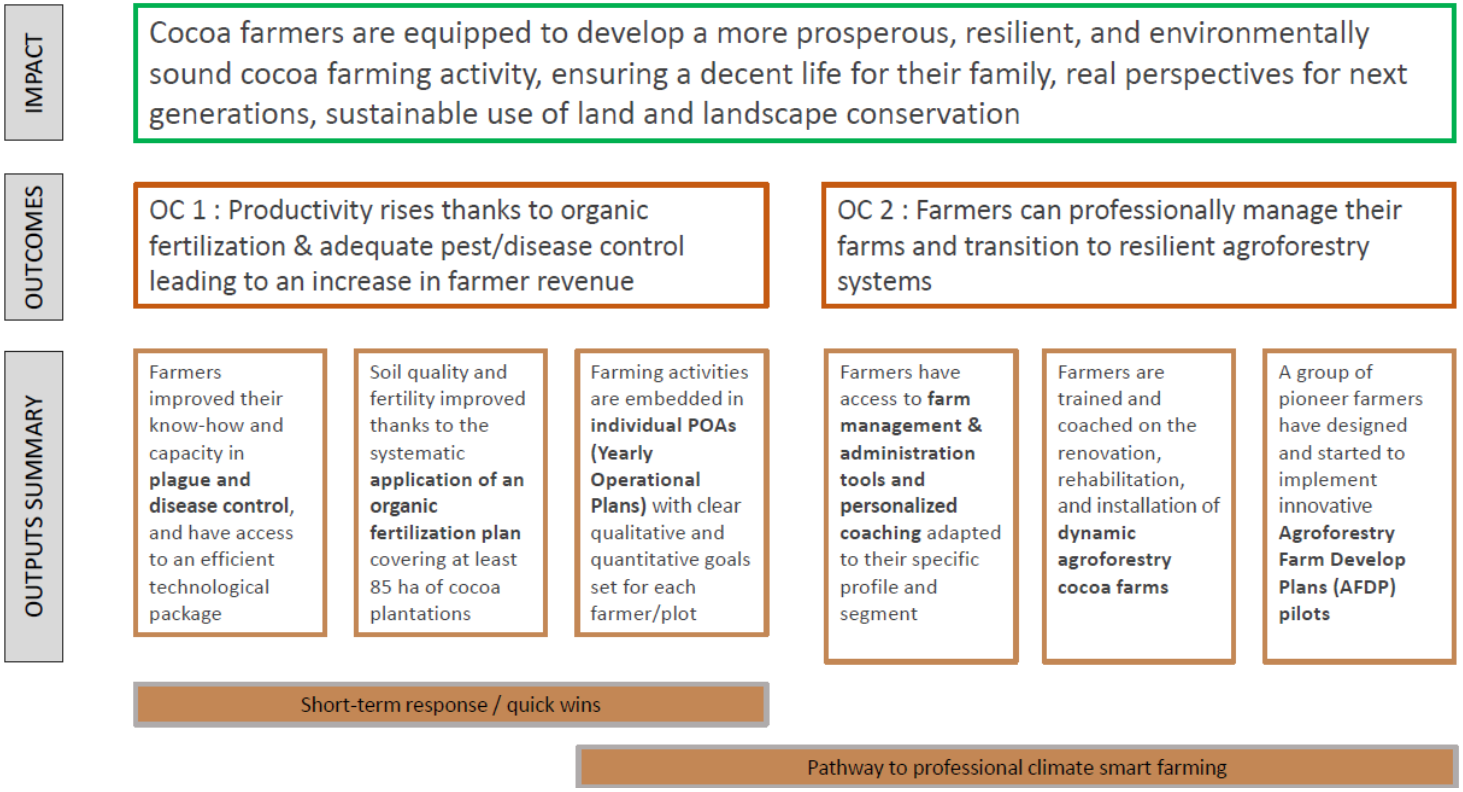
In the name of the Choba Choba Foundation, we thank you, Choba Choba Community, for all your support in 2022. A year that laid the expected and necessary foundation for the next successful and probably eventful 2023. We remain optimistic and keep rowing together.

A. 2022 Projects Progress and Key Results

1. Professional Agroecology

In 2022, we continued to work with the CoopACCC farmers in their efforts to become more professional. We co-created innovative solutions according to their realities for managing and administrating their cocoa farms and applying resilient agronomic practices. This year we have consolidated our recent achievements while accompanying more farmers in their transitions to agroforestry systems.

i. Project Intervention logic



ii. Project KPIs summary

	Baseline 2020		Target 2022		Real 2022		Reach (%) 2022	vs 2021	vs Baseline 2020
Project Goals Indicators									
Average cocoa Yields / ha (kg)	280		450		434		96%	125%	155%
Average Revenue from cocoa sold to the cooperative (in PEN / CHF)	10,657	2,857	17,250	4,294	16,380	4,077	95%	122%	143%
Median Revenue from cocoa sold to the cooperative (in PEN / CHF)	5,697	1,527	9,150	2,278	11,834	2,946	129%	138%	193%
Output Indicators									
KPI 1 - # hectares of cocoa plantations covered by an organic fertilization plan	15		100		74.6		75%	99%	497%
KPI 2 - # farmers using a new fertilization and control package	0		35		34		97%	97%	N/A
KPI 3 - Incidence of pest and disease	N/A		30%		13%		N/A	N/A	N/A
KPI 4.1 - # hectares of cocoa plantation in transition to dynamic agroforestry	0		40		41.9		105%	645%	N/A
KPI 4.2 - # farmers transitioning to dynamic agroforestry	0		25		25		100%	417%	N/A
KPI 5 - # farmers having access to farm management tools and methodologies adapted to their specific profile/ segment	0		45		38		84%	106%	N/A
KPI 6 - average achievement of individual Yearly Operational Plans	73%		80%		82%		102%	100%	112%

Notes :

KPI 1: Early 2022, the initially target set at 100 ha was ajusted to 75 ha, considering that some cocoa farms did not present the optimal condition to fully benefit from the fertilization package.
KPI 3: In 2022, we applied for the first time a pest and disease evaluation methodology, perfomed in November. This percentage is only partially representative of the real incidence. In 2023, we will apply the same methodology at different times of the year.
KPI 5: In 2022, the initial plan of the CoopACCC was to onboard 6 new farmers to reach 45 members. Only 2 new farmers joined early 2022 and 3 farmers resigned or were dismissed in Q4.

N/A: Not applicable

Picture 1: Soil sampling and analysis

Picture 2: Application of solid fertilizers

Picture 3: Evaluation of pest and disease incidence

Picture 4: Installation of a new agroforestry farm

iii. Advancement and progress report

2022 Project Key Results:

- ✓ Average cocoa yields per hectare: 434 kg/ha (96% target reach)
- ✓ Average annual cocoa revenue: CHF 4,077 (95% target reach)
- ✓ Median annual cocoa revenue: CHF 2,946 (129% target reach)

Outcome 1: Productivity rises thanks to organic fertilization & adequate pest/ disease control, leading to an increase in farmer revenue

Organic fertilization campaign

Key result 2022: The fertilization package was applied on 74.6 ha of the cocoa plantation (2022 goal: 100 ha).

It would be an understatement to say that our fertilization campaign has faced significant challenges over the past two years. 2022 was marked by a shortage of Peru's well-known organic fertilizer: the *guano de isla*. For months it was impossible to access the stocks on which the Peruvian state has a monopoly. Therefore, we had to try to replace this input with another product with similar characteristics and that complies with the organic certification standards. On the other hand, the international political crisis made it difficult to access potassium-rich fertilizers, which are essential for the growth and development of the cacao plant.

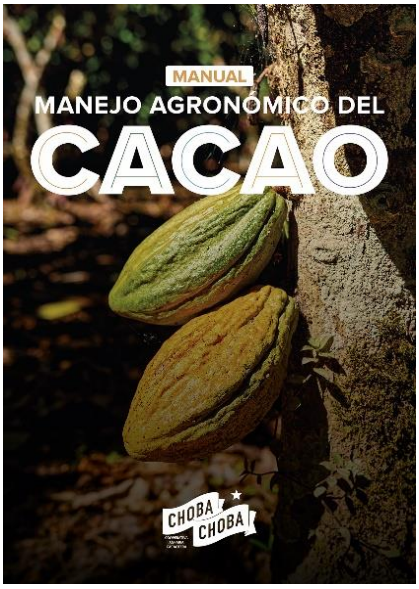
These challenges, which significantly delayed the campaign and increased the cost of the packaging, were overcome in August, and we could finally distribute and apply the fertilizers on the selected farms between September and December. On a very positive note, we also witnessed the systematic use of locally produced fermented liquid fertilizers, distributed by the cooperative, with good plant health and nutrition results.

Training on good agricultural practices and organic cocoa farming

Key results 2022: 38 farmers participated in the capacity-building program—publication and distribution of a manual on good agricultural practices.

Since the beginning of our intervention in 2021, the CoopACCC farmers have participated in an intensive capacity-building program. In 2022, the following topics were prioritized, and several training sessions were planned throughout the year, led by the technical staff and external experts:

- General aspects of fertilization
- Preparation of fermented liquid fertilizers (*bioles*)
- Integrated pest and disease control
- Agroforestry models and design
- Pruning and thinning of shade trees
- Clonal arrangements in agroforestry systems



Picture 5: Manual of Organic and Agroforestry Farming

Given the large amount of technical and practical information provided to the farmers during the past two years, we decided to compile all this knowledge in a Manual of Organic and Agroforestry Farming, a guiding document we published in the fourth quarter and distributed to all associated farmers. In 2022, we also defined a 2021-2022 baseline that will allow us to measure year after year the agroeconomic impact of the recommended interventions on-farm.

Customized Yearly Operational Plans (POA – "*Plan Operativo Anual*")

Key results 2022: 63% of associated farmers achieved more than 80% of their POA. The average fulfilment is 82%, on track versus target (80%). The group also turns more homogeneous year after year.

In our 2021 Activity Report, we mentioned a clear correlation between the farmers' ability to fulfil their POA and the yields of their cocoa farms. Building on this observation, we put more effort into supporting the farmers in the good planning and execution of their farming activities. A digital monitoring tool was developed, tested, and adopted by the technical staff of the CoopACCC, allowing them to keep better track of the POAs and to provide agile and customized support to the farmers. The preliminary conclusions of 2021 were confirmed in 2022: the CoopACCC farmers who fulfilled at least 80% of their POA earned, on average, 35% more revenue than those who did not. This reaffirms our hypothesis that professionally managed farms lead to higher income.

Main lessons learnt

The situation described above shows the vulnerability of the solutions mainly based on external inputs, given the risk of scarcity and rising prices for these products, which are exacerbated in a context like the Huayabamba, where geography and lack of appropriate infrastructure increase the logistical costs of these fertilizers.

This leads to two conclusions:

- *Providing economic, technical, and logistical support to enable farmers to access a cost-effective and efficient fertilizer package is the best solution to achieve our short-term goals to increase farm yields and farmer income.*

- *On the other hand, it is necessary to consider reducing dependence on external input, improving nutrient flow and recycling locally available resources. Agroforestry systems are part of the solution and training farmer organizations to produce their local fertilizers (both components of our project).*

To be on the safe side, the cooperative has already procured the organic fertilizers needed for the first of two rounds of the fertilization plan in 2023. However, given the problem of external input dependence and scarcity, we will work with our partner FiBL to improve farms' nutritional efficiency and the agroecosystem balance. This topic of farmers' independence will be at the core of our intervention in 2023 and beyond.

Outcome 2: Farmers can professionally manage their farms and transition to resilient agroforestry systems

Transition to more resilient agroforestry systems

Key results 2022: 41.9 ha of cocoa plantations shifted to diversified agroforestry. 2,200 timber trees distributed.

In 2022, we entered the final phase of establishing our agroforestry demonstration plots. The technical staff of the CoopACCC and Choba Choba Foundation took over the direct management of one of the five demo plots. The monitoring performed throughout the year allowed us to collect valuable data to understand better the cost incurred during the first year of installation of different agroforestry models. However, key activities corresponding to the installation phase, such as grafting, will only be carried out in Q1 2023. We expect to have complete visibility of the first year's investment by the end of the first semester of 2023.

Picture 6: Agroforestry Demo Plot

Beyond our demo plots, all CoopACCC farmers have trained in agroforestry systems management thanks to the field visits performed by our partners ECOTOP and FiBL. A group of 5 volunteers were trained in shade tree pruning and thinning and can now provide services to other cooperative members. In our Renovation, Rehabilitation, and Installation (RRI) plan, 25 farmers have successfully joined the transition towards more resilient agroforestry systems.

Agroforestry Farm Development Plan (AFDP) pilots

Key result 2022: Five 5-year plans have been co-designed with the volunteers and are ready to be implemented in 2023.

Farmer Entrepreneurship is at the core of our intervention. In 2021, we embarked with three volunteer farmers on a journey to improve their capacities in professional farm management. The AFDP is twofold: on one side, the farmers are coached to develop a 5-year vision and plan. On the other side, they participate in designing and developing a digital application that can help them properly plan and keep track of their priority activities. This tool can be understood as an all-in-one digital version of the Yearly Operational Plan and Farmer Field Book, or as we name it: *Asistente de Bolsillo* ("pocket assistant" in Spanish). In 2022, we onboarded new volunteers and designed 5 AFDP. We partnered with the Peruvian agrotech company Agros to develop and test with the volunteers, in an agile approach, the features of the digital tool. Work in progress.

Improved Farmer Field Book (FFB) and farming economics

Key result 2022: Our evaluation of the farmers' capacity to properly use the tool showed an average index of 74/100 compared to 68/100 in 2021.

Picture 7: Data analysis from the FFB

Our FFB aims to allow farmers to have better control over their farming activity & finance and to make decisions based on accurate data. In 2022, we used for the first time an updated version that we designed in a participatory manner back in 2021. Two options of the FFB were available - one where only cocoa farming activities are recorded and one that allows keeping track of other on-farm activities, expenses, and revenue. The monthly and yearly summaries give farmers a strong understanding of the profitability of their agricultural business. After one year of use, and thanks to a segmentation methodology to ensure tailor-made support, this updated version shows better user adoption and improved quality of the data collected.

By digging into the data from the best-filled FFBs, we were able to analyze production costs, the number of days dedicated to each activity, the use of paid labour compared to family labour, and finally, estimate with an acceptable margin of error the profitability of the agricultural activity of a representative sample of the CoopACCC members (11 farmers). The average net profit per hectare was PEN 5'100 (equivalent to CHF 1'269), comparable to the theoretical model we developed based on average yields, farmgate prices, farmers' surveys, and secondary data available.

Main lessons learnt and measurement of the Living Income gap in the CoopACCC (backed on the Outcome 1 data)

For the first time, thanks to our new FFB, we could estimate the Living Income gap for a representative sample of CoopACCC members, using the Living Income Benchmark Study that was performed in Peru in May-June 2022 and customizing the value to the actual size of the farmers' household.

In 2022, we assessed a sample of 11 farmers of the CoopACCC in this regard, calculated a customized LI benchmark for each of them, and found out the following:

- *6 out of the 11 farmers earned a net income above their LI benchmark, thanks to their cocoa business only.*
- *On average, the sample's net income from cocoa farming represents 128% of the LI benchmarks.*
- *The sample's median falls to 86%, and the analysis shows huge variations between farmers: from 3% to 307%. This is mainly due to the vast diversity between farms and the different levels of dedication to cocoa farming among the CoopACCC members.*

Farmgate prices, farm yields and size are critical factors in the Living Income equation and the Paid Labor/Family Labor ratio. Farmers who cannot rely on family work power are unlikely to make a decent living from their cocoa farm, regardless of the price or farm yields they get.

iv. Outlook and key activities planned in 2023

In 2023, the last year of our 2021-2023 project cycle, our efforts will focus on the following priorities:

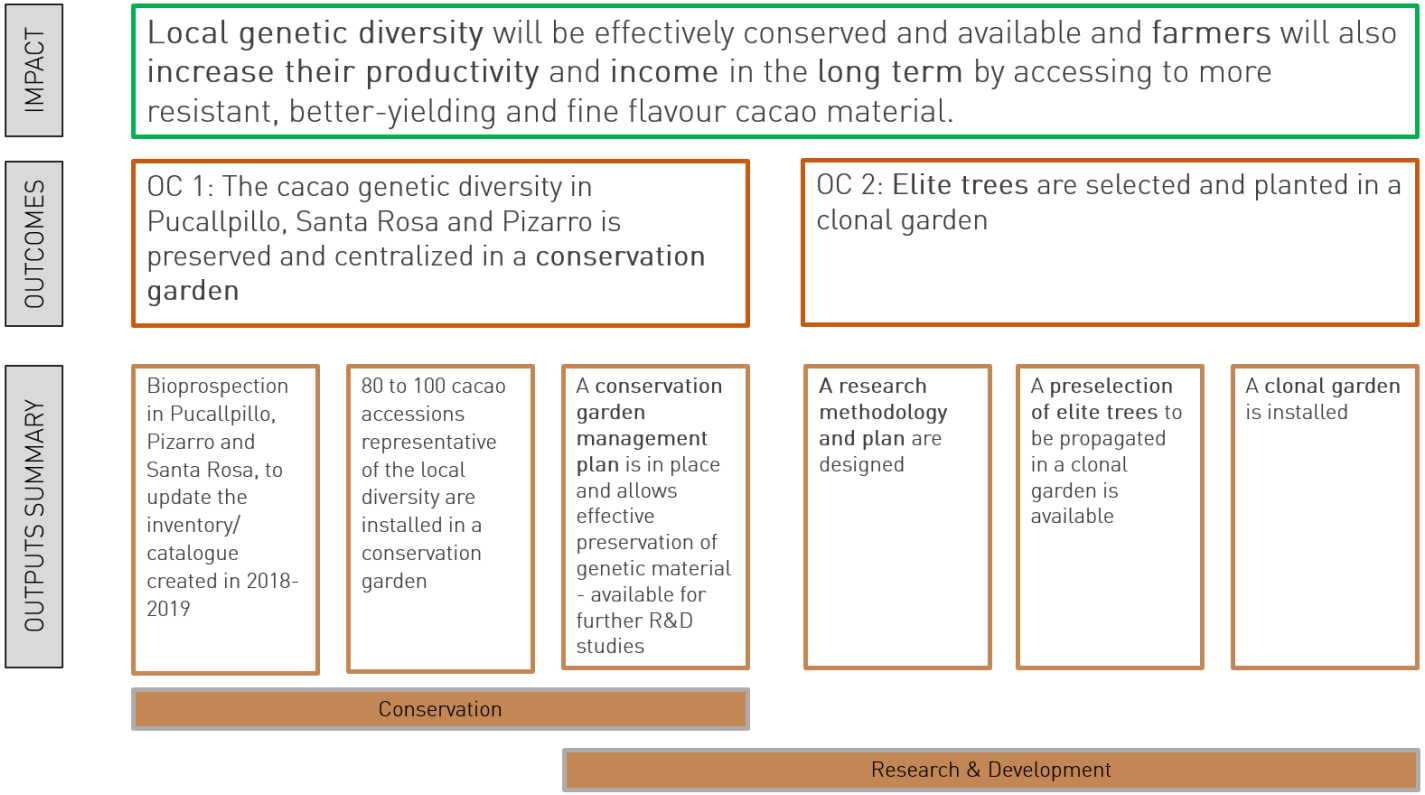
- In partnership with FiBL, we are developing a specific work plan to reduce farmers' dependence on external inputs.
- The second wave of our RRI plan, adding 20 to 30 ha to the existing 41.9 ha, has already been covered.
- The implementation of a capacity-building program, in small groups, directly in the farms, using the Manual of Organic and Agroforestry farming published in 2022.
- Supporting the farmers in using the FFB so they can correctly estimate the profitability of their cocoa business.
- Further developing and testing the AFDP digital tool in actual farming conditions.
- Building up capacities at the CoopACCC to manage the Farmer Entrepreneurship tools and methodologies designed and implemented during the past two years.
- Identify scaling and replication opportunities for the solution successfully tested at the CoopACCC level.

Picture 8: Calycophyllum spruceanum – capirona trees in cocoa farms

2. Conservation and Use of the Cacao Genetic Diversity in the Huayabamba

Our project aims to optimize the conservation and facilitate the use of the genetic diversity of cacao available in the Huayabamba valley and contribute to the efforts of the international community to preserve and manage cacao genetic resources efficiently. In 2022, the kick-off of our 2-year work plan, our efforts were focused on the conservation outcome of our intervention, laying the foundation for further study and selection.

i. Project Intervention logic



ii. Advancement and progress report

2022 Project Key Results:

- ✓ 84 mother trees consolidated in the database
- ✓ Design and preparation of the conservation garden and installation of the cacao tree nursery
- ✓ 22 cacao pre-selected for further investigation

Outcome 1: The cacao genetic diversity in Pucallpillo, Santa Rosa and Pizzaro is preserved and centralized in a conservation garden

Update of our database

Key result 2022: Additional bioprospection was carried out in the Santa Rosa, Pucallpillo and Llanos areas to compensate for this loss after 2019, leading to an updated 2022 collection including 84 cacao trees.

In 2022, the Choba Choba Foundation resumed the cacao diversity conservation activities in the Huayabamba, which was on hold due to the Covid-19 pandemic. The first step was to go back to the original database created between 2018 and 2019 and, through intense field work, evaluate whether the cacao trees identified back then were still standing and accessible in the farms of the CoopACCC's members. Unfortunately, in the meantime, the region witnessed a significant outbreak of the frosty pod rot disease (*moniliasis*), and many farmers decided to cut down some of the most affected trees to prevent the disease from spreading to healthy trees. Our field evaluation showed that about 40% of the cacao trees of the 2018-2019 collection had been cut down.

Picture 9: The 2022 collection

Conservation garden

Key result 2022: 2'000 cacao plants in the tree nursery, ready to serve as rootstocks on which the mother trees will be grafted and then transplanted to the conservation garden.

The situation described above is undoubtedly of concern but reinforces at the same time the relevance of an *ex-situ* conservation strategy, a key component of our project. In 2022, much effort was put into the design and preparation of the land of 2 ha that the CoopACCC acquired, and that is now dedicated to the conservation and propagation of the cacao diversity locally available. Half of this area will be used as a conservation garden centralizing all the cacaos in the database. The other half will be installed as a clonal garden for further study and propagation. The entire area was designed as an agroforestry system, the cacao tree nursery was installed, and a specific varietal arrangement was established to integrate the 84 accessions of our collection (15 repetitions each).

Agronomic management of the mother trees

Key result 2022: More than 2'000 shoots were collected on mother trees for their propagation in the conservation garden.

The 84 mother trees, scattered in the farms of 20 farmers, were handled with specific care and management to stimulate the production of vegetative material necessary for the grafting process. Pruning, rehabilitation, application of fermented liquid fertilizers and organic fungicides are essential practices performed on the mother trees.

Chart 1: Varietal arrangement and design of the conservation garden in Santa Rosa

Outcome 2: Elite trees are selected and planted in a clonal garden

Preselection of promising trees

Key result 2022: 22 trees were preselected based on their specific traits and will be evaluated further.

2022 was mainly dedicated to the conservation component of our project. Yet we already performed a preselection of cacao trees within our 2022 collection based on specific traits observed on the mother trees, directly in the farms, and on data collected previously. Our objective was to reach many trees that are still representative of the local diversity & manageable considering the many different evaluation processes each cacao will go through and acknowledging the need to focus on

Picture 10: Conservation garden

the most exciting cacao. For example, trees highly affected by pests and diseases were excluded from the preselection because they do not fulfil the resistance criteria, which is crucial for a farmer's farm performance. It is worth mentioning that each tree in the collection will be centralized in the conservation garden, whatever its characteristics are.

Main lessons learnt and field experience with Bioversity

The evaluation, selection and propagation of specific cacao trees take time. From the original collection, we narrowed it down step by step to end up with a few varieties worth being distributed to farmers. Once selected and centralized in the clonal garden, it takes 2 to 3 years for these cacao trees to produce fruits, and a few years of evaluations are needed to draw relevant conclusions.

In parallel to our work plan, we thus engaged with Biodiversity on a fast-track workflow based on a shortlist of 5 cacao varieties and started to graft them directly on adult trees in 3 pilot farms, following two different methods:

a) Method 1. Shoots from the five promising trees were grafted on a single cacao tree

b) Method 2. Shoots from the five promising trees were individually grafted on different cacao trees

The objective is to be able to start soon to evaluate the behavior and characteristics of these cacaos in natural conditions and under good agricultural practices.

iii. Outlook and key activities planned in 2023

In 2023 we will perform the following activities, with a strong focus on our outcome in evaluating preselected trees, identified in 2022 as the most promising.

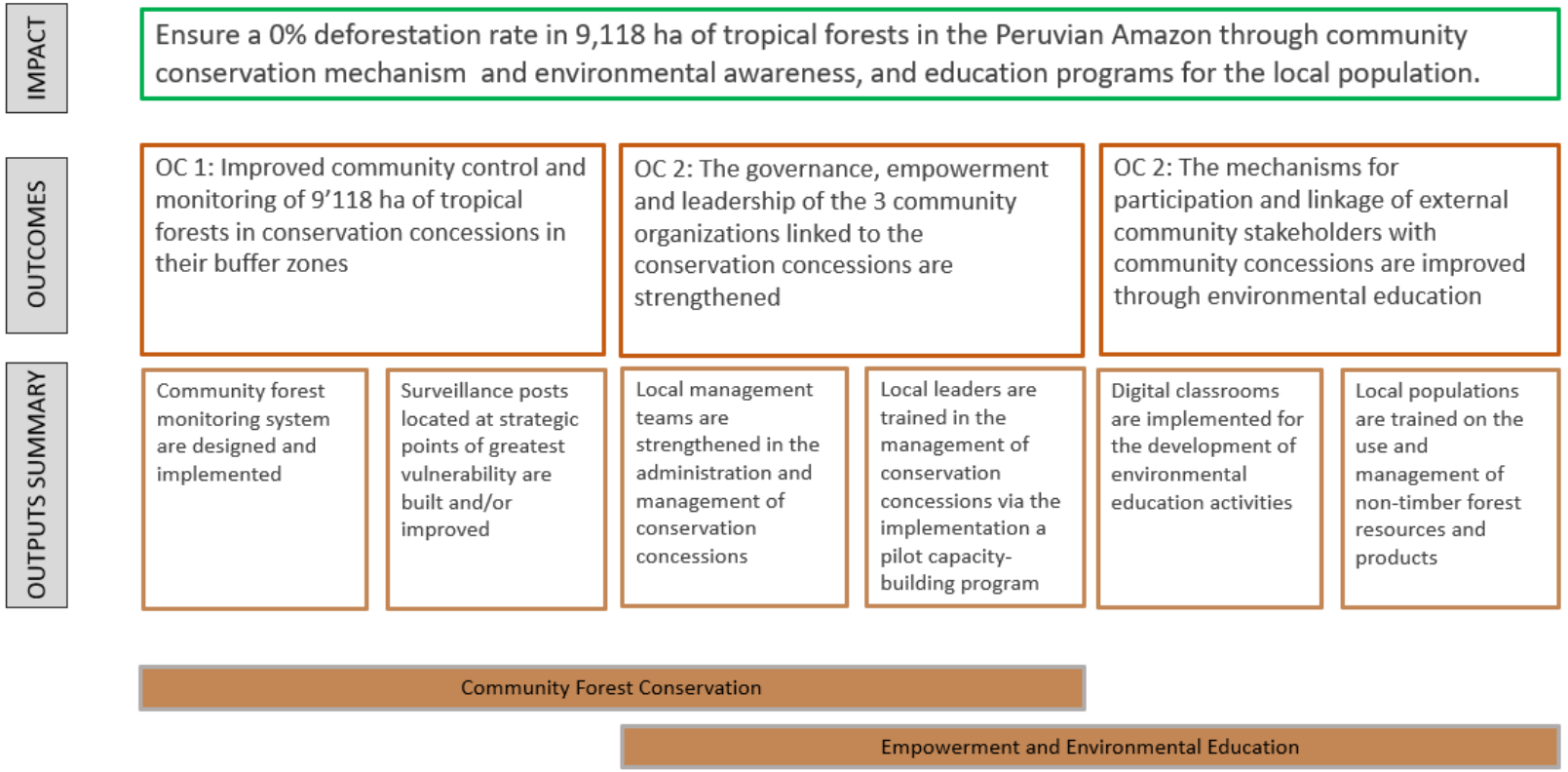
- Grafting and installation in the conservation garden of the 84 cacaos are included in the 2022 collection.
- Soil analysis and application of the fertilization package on the entire area.
- Development and execution of the evaluation and selection methodology covering the following aspects: evaluation of disease resistance, productivity, aromatic profiles, as well as self/inter compatibility of the preselected trees.
- Preparation and installation of the clonal garden, where the “elite” trees will be centralized.
- Monitoring of the grafting performed with Bioversity in the pilot farms.
- Genetic characterization.

Picture 11: Tree nursery for the conservation garden

3. Community-based Forest Conservation in the Huayabamba

The Choba Choba Foundation is committed to nature conservation. In 2022 it embarked on the design of an ambitious project to support local organizations in their efforts to conserve the rainforest of the Huayabamba Valley. The implementation of this project will begin in the first quarter of 2023.

i. Project Intervention logic



ii. Outlook and key activities planned in 2023

Picture 12: Choba Choba Foundation's staff in Dos de Mayo

This project will be implemented in partnership with APROBOC, a local organization, based in the community of Dos de Mayo, with more than ten years of experience managing the conservation concession "El Breo", covering more than 113'000 ha of the rainforest. Under the guidance of APROBOC and backed by the technical staff of the Choba Choba Foundation and PUR Projet, the three conservation concessions - C.C. Gran Ushachi, C.C. Maquisapa, C.C. Cerro Blanco - that our project supports will execute, and monitor their conservation strategy.

During the implementation period of the first phase of our project (February-December 2023), one of the main challenges will be to develop the yearly operational plans rapidly and effectively for the three conservation concessions articulated around the three axes of our intervention.

The following activities will be given priority:

- The first quarter will focus on designing and implementing a control & surveillance plan and organizing patrols in the conservation areas.
- The capacity building and empowerment of the three associations in charge of the conservation concessions will pave the way to greater independence in managing and administrating their conservation areas.
- The development and implementation of an environmental education program directed to the population of the three communities involved in the project - Pizarro, Santa Inés and Dos de Mayo - will ensure sensitization beyond the members of the conservation associations.

The changes in forest cover in our project area (9'118 ha) will be monitored via GEOBOSQUES, a platform developed by the Peruvian Ministry of Environment (Minam), enabling the distribution of information to different users in various formats such as reports, maps, and email alerts.

4. Testimonials from the field

Impact and challenges of the organic fertilization campaign, ***"this year I have managed to increase my yields by about 100 kg per hectare…"*** - Pilar Cachique Pisco

Q. Good morning Pily; thank you for participating in our Activity Report. Last year we discussed the organic fertilization support the Choba Choba Foundation provided. One year later, what are your thoughts?

A. The fertilization plan is critical because it helps me produce better in my cocoa plots. I have noticed that my trees now have more beautiful foliage, my plants look much healthier, and thanks to the fertilization plan this year, I have increased my yields by about 100 kg per hectare compared to last year. It is a practice that brings many benefits to us farmers. These organic fertilization practices helped me to give my cocoa plants what they needed since our soils were poor and the plants could not produce as they should. Finally, as I said, I have better cocoa production, and it allows me to support my son in his university studies because my income has increased a little.

Q. Have you had any challenges that have prevented you from carrying out your fertilization work?

A. Certainly, fertilizing our plants is nice, but it also means hard work. For me, it isn't easy to carry the fertilizer from the port where we collect it to my plots, which are far away. Taking all those 50 kg sacks in a wheelbarrow is complicated because it's heavy work. So, as a job requiring much physical effort, one might have to hire other people to help carry the fertilizer. This has been my main challenge, but fortunately, we do it together in Choba Choba work groups. We organize these groups ourselves, and it makes it easier for me.

Another challenge this year was that there needed to be more rain when we started the fertilization campaign. Rain is needed to ensure the excellent penetration of fertilizers in the soil. I think climate change has been accelerating since the summer seasons have lasted much longer than usual in the past years. So, when we applied our fertilizer in October, the plant could not fully benefit from it because there was not enough moisture in the soil. On the other side, when the rainy season starts, it is also complicated because we can risk the heavy rains washing away the mixture.

Q. 2023 will be the final year in the three-year cycle of financial support provided by the Choba Choba Foundation for this fertilization plan. What is your assessment to date of the benefits of such a plan?

A. As I said before, it is excellent to fertilize organically. We see the results, but at the same time, it is a real challenge for us because of the very high cost of organic inputs. I am very grateful that the foundation has supported us with the subsidy because it has positively impacted my production and has taught me how to fertilize organically properly. Without this support, I could not have fully covered the cost; it would be nice to continue with this project.

Pioneering new tools and methodologies for professional farm management, ***"this tool will be vital to help us have better control of our activities…"*** - Elmer Ayala Castillo

Q: Good morning, Elmer. Please briefly introduce yourself and tell us your motivation for participating as a pioneer farmer in the Agroforestry Farm Development Plan Project (AFDP).

A: Good day; my name is Elmer Ayala Castillo. I have been a member of the CoopACCC since 2019; I am 38 years old. My motivation to participate in the AFDP project was mainly my interest in trying new farm management tools and methods. It is exciting and essential because it helps us to plan our daily agronomic activities.

Q: Could you explain to us what the AFDP is?

A: Well, it consists of the excellent management of agroforestry farms and the long-term planning of my activities based on a personal goal I want to achieve. My goal is to build a house in the city of Juanjui, and I trust that with the support of the development plan that we created with the technical team of the cooperative, I will achieve it.

Q: In 2022, the activities focused mainly on constructing a work plan, while from 2023 onwards, we will focus on implementation and monitoring. What will this look like?

A: Regarding monitoring the planned activities, we are implementing a tool that will help us record and monitor the activities. This tool will be essential to control our activities better. More specifically, it is a digital tool where we, as farmers, can directly record the different activities we carry out daily and the additional income and expenses we incur - for example, cocoa sales and other activities we carry out. This allows us to keep track of our work and the farm financials.

Q: From what you have experienced, do you think the AFDP is a valuable tool that could also be offered to other cooperative members?

A: Well, we are just starting to work with the new tool, so we are still in a testing phase, but in the long term, it will be crucial that all members can work with this tool. Initially, it may be complicated for some, but they will adapt because it is straightforward to use and practical.

Leading the way in agroforestry systems, ***"I am proud of the work I am doing and want my demonstration plot to serve as an example…"*** - Cesilio Gomez Sajami

Q: Good morning, Cesilio; we already met you for the last annual report of the Choba Choba Foundation. It's time for a follow-up! What did your second year in the CoopACCC look like?

A: Good morning; my second year at Choba Choba gave me many experiences. The cooperative is very well organized and supportive in all the activities that are being executed. I had a great time, and I'm moving forward with my cooperative, excited by all the future projects ahead of us.

Q: In 2021, you were one of the pioneers who installed a demonstration plot under an agroforestry system. After one year, what are the most important results you can witness?

A: At the beginning, it was a challenge for us to install a plot without slash and burn, but we were gradually getting used to this new work method that we had never used as farmers. Now I am pleased with my plot. We work together with nature, and today, after a year, I am already harvesting the first fruits, such as plantains, beans, or cassava, which generates an additional income that allows me to cover the different expenses incurred on the farm.

Q: After installing your demonstration plot, you also decided to implement the agroforestry systems methodologies in other cultivated areas under the Renovation, Rehabilitation, and Installation (RRI) plan of the cooperative; what was your primary motivation for this step?

A: This demonstration plot has been like my blackboard; it inspired me to work on other fields using this same agroforestry methodology. Now, I have a plot in rehabilitation and one in installation, where I am planting cover crops to protect the soil, and I am adding cocoa together with fruit and timber species. I hope the other cooperative members are also willing to join the RRI project, an excellent opportunity that should be used wisely. It is essential to have agroforestry plots. I am happy about the tremendous support from our cooperative, the Choba Choba Foundation, and all the financial partners who make these projects possible.

Q: Now that a large part of your plots is transitioning to diversified systems, when can you concretely take advantage of the first fruits of your great work?

A: In about two years, my plots will start producing cocoa, and then I can take advantage of my efforts. Still, I can already take advantage of the annual crops that I planted, such as plantains, which currently generate a good income. I am proud of my work, and I want my demonstration plot to serve as an example.

Preserving and studying the local cacao diversity, **“learning from the great diversity of cacao that exists in this wonderful Huayabamba valley…”** - Oswaldo del Castillo Paima.

Q: Oswaldo, could you briefly introduce yourself and tell us why you volunteered to dedicate a large part of your time this year to our project to conserve the genetic diversity of cacao?

A: Hello, dear friends; my name is Oswaldo, also known as Oshoquin, I live in the Santa Rosa sector, and I am a cocoa, and chocolate entrepreneur, Co-founder of the Choba Choba project, and I am also involved in our project Conservation and Use of the Cacao Genetic Diversity in the Huayabamba. I am happy to dedicate my time to this great experience, adventure and research that motivates me even more to continue working and learning from the great diversity of cacao in this beautiful valley of the Huayabamba.

Q: In 2022, our work plan was focused mainly on ensuring the *ex-situ* conservation of the genetic material available in the area. Can you tell us what your work consists of?

A: The work I am doing consists primarily of the identification and selection of native and hybrid cacao trees where references are taken from, such as fruit size, productivity, seed size, resistance to pests and diseases, and aroma. We do this to have a good understanding of the diversity available locally. These trees are on and around our farms, and we have been caring for and protecting them for a long time. With this great project, we have installed a dedicated area to centralize and preserve them (conservation garden). In this regard, I carry out different activities: land preparation, installation and management of a tree nursery, temporary shade planting, grafting, etc.

Q: What were the main challenges you faced in 2022 regarding the installation of this conservation garden, and what are the lessons learned that you would like to share?

A: My main challenge was that at the very beginning, I needed to gain more knowledge and experience of the great work that had to be done, but thanks to my skills as a cocoa farmer, I could adapt and learn fast. Also, we faced challenging changes in climate patterns. My main lesson learned is that I must keep training to have the required knowledge in the activities carried out, such as how to make a nursery in general, how to make a suitable substrate for the nursery, and how to plan activities and adapt to harsh conditions appropriately.

Q: What are the next steps of this project in 2023 and beyond?

A: In 2023, the following steps of our project will be the following activities: planting of grafted seedlings according to a specific clonal distribution, fertilization of the conservation garden, maintenance of the area, etc. Also, in this project's second stage, we must prepare and install the clonal garden, where the best genotypes will be centralized. Then, years of evaluations and research will have to be carried out to select cacao trees resistant to plagues and diseases, productive, and with the best aromatic profiles. The work goes on…

B. Closing words from Eric Garnier, Choba Choba Co-founder, Board member and Senior Program Director of the Choba Choba Foundation

Eric Garnier,
Co-founder, Board member and Senior Program Director

Since the beginning of our project, when we embarked alongside the cocoa farmers on this journey toward entrepreneurial and resilient agriculture, the road has been paved with learning. Our initial hypothesis was quickly confirmed. For farmers to thrive, they need sustainable agronomic solutions, professional management tools tailored to their needs and specific realities, and the skills and guidance required to implement them successfully. In this direction, the work of the Choba Choba Foundation was successfully orientated in 2022. We are now confident of the quality, value and impact of the solutions co-designed with the farmers.

However, on the other side of the value chain, it is crucial to guarantee farmers access to prices and commercial conditions that value and reward the efforts to produce cocoa under sustainable conditions and ensure a decent income for farming families. This is the role of the private company Choba Choba AG in our ecosystem: to provide the CoopACCC farmers with this enabling environment on the market side. At the same time, our Foundation focuses on supporting them to become more professional and resilient — a genuinely holistic model.

"We continue to innovate by exploring and designing new solutions with our research & technical partners, staying truthful to our role as a field laboratory."

In 2023, as we approach the end of our Foundation's 3-year intervention cycle, our energy will flow towards effectively transmitting the tools and methodologies we have developed. We will hand these to the CoopACCC and farmers pursuing their empowerment and independence. We will also continue to innovate by exploring and designing new solutions with our research and technical partners, staying truthful to our role as a field laboratory.

2023 will also be the year of a strong commitment by the Choba Choba Foundation to environmental conservation, echoing the United Nations Conference on Biodiversity (COP15) held in Montreal in December, where representatives from 188 governments met. The conference resulted in the adoption of a global framework for biodiversity with the agreed goal of conserving and effectively managing at least 30% of the world's land, coastal areas, and oceans. Through our Community-based Forest Conservation Project, we are proud to be part of this global effort and actively contribute to protecting the Peruvian Amazon and its valuable biodiversity.

C. Financials 2022

The Choba Choba Foundation was founded in December 2019, and after three years of operations, the following are our 2022 results, including the audited income statement and balance sheet (in Annex I).

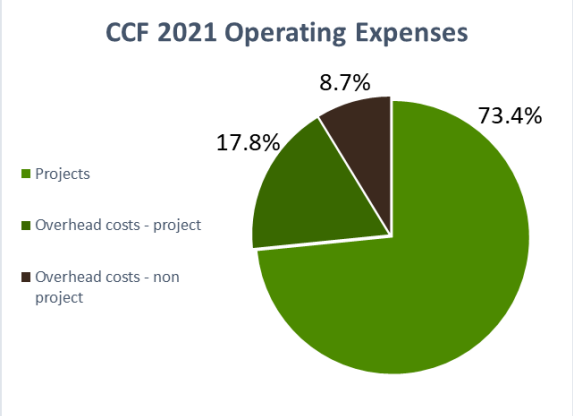
2022 Result and Cashflow

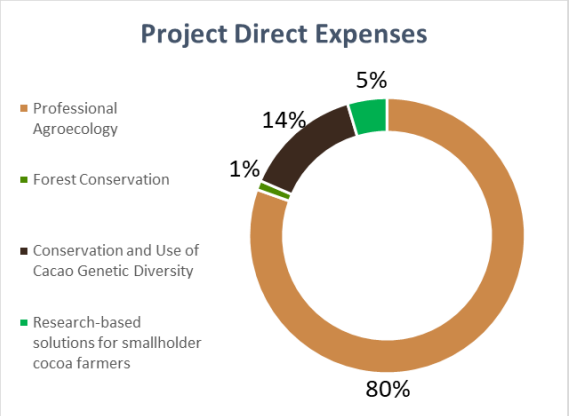
The 2022 activity led to a positive operating result of CHF 38'096 and a positive cash balance of CHF 110'548, impacted mainly by the contributions of our institutional donors for our project "Professional Agroecology" - P1 and "Conservation and Use of Cacao Genetic Diversity" P3 (project cycle 2021-2023).

These results are only possible thanks to our loyal donors who have supported us in a challenging 2022, for which we are incredibly grateful. Overall, we close this year with an optimistic scenario despite the critical situation in Peru, climate change in the Huayabamba valley that has led to delays in project activities (increasing the stress levels of the farmers and teams), etc.

Expenses

Here we explain both: direct project expenses and overheads.





Professional Agroecology

2022 was the second implementation year of the Professional Agroecology project, the main project in the current foundation cycle. The total project cost was CHF 244.1k, including CHF 195.3k project direct costs and CHF 48.8k project-related overheads (according to the budget, 25% of the direct costs).

According to the project's estimated budget for 2022, the total project expense is 24% below budget. The main reason is the delay in coordinating and implementing activities caused by the 2022 situation mentioned above. These and other factors have been considered in the forecast of the whole budget 2021-2023 (project-related aspects/ technical and macro-economic such as the current increasing inflation in Peru, etc.). The overall project budget variance for 2021-2023 is zero.

Conservation and Use of Cacao Genetic Diversity

2022 was the first implementation year of this project (project plan 2022-2023). The total project cost was CHF 42k, including CHF 33.7k project direct costs and CHF 8.4k project-related overheads (according to the budget, 25% of the direct costs).

According to the project's estimated budget for 2022, the total project expense is 59 % below budget. The main reason is the delay in the implementation work due to the funding challenges of the project. These and other factors have been considered in the forecast of the budget 2022-2023 (project-related aspects/ technical and macro-economic such as the current increasing inflation in Peru, etc.). The overall project budget 2022-2023 is 10% lower than forecast at the end of 2021, mainly due to cost optimization.

Other Projects

In 2022, other projects' direct expenses amounted to CHF 13.9k.

For our project Forest Conservation, the Choba Choba Foundation established vital strategic and technical partnerships in 2022. With these technical partners, we drafted a first detailed proposal with a corresponding budget to be implemented in 2023.

Furthermore, in collaboration with the Alliance Bioversity International – CGIAR, we performed a one-year work plan to collect data related to plague, disease, and cadmium issues for further qualitative and quantitative analysis.

Overheads

The 2022 overheads were CHF 87.9k (including project-related overheads of CHF 59k and non-project-related overheads of CHF 28.9k).

These expenses were mainly salaries (incl. social insurance and holidays accruals) and general administration costs such as IT tools (incl. tools for fundraising activities), accounting support, official audit, etc.

Annex I – 2022 Balance Sheet and Income Statement

Amounts in CHF

Balance Sheet

	2022	2021
ASSETS		
Cash and cash equivalent	110,548	80,783
Other current receivables - third parties	770	806
Accrued income and prepaid expenses	23,317	26,350
TOTAL CURRENT ASSETS	**134,635**	**107,938**
TOTAL FIXED ASSETS	**-**	**-**
TOTAL ASSETS	**134,635**	**107,938**
LIABILITIES AND EQUITY		
LIABILITIES		
Other current liabilities - third parties	-	1,075.80
Deferred income and accrued expenses	18,711.99	27,086.72
TOTAL SHORT-TERM LIABILITIES	**18,711.99**	**28,162.52**
COVID-19 Loan	15,215.40	18,275.40
TOTAL LONG-TERM LIABILITIES	**15,215.40**	**18,275.40**
FOUNDATION CAPITAL	50,000	50,000
Retained Earnings		
Brought forward	11,500	(37,483)
Period result	39,208	48,983
TOTAL EQUITY	**100,708**	**61,500**
TOTAL LIABILITIES AND EQUITY	**134,635**	**107,938**

Income Statement

	2022	2021
INCOME		
Individual donations	714	663
Institutional donations	364,072	312,188
Patrons Club	4,000	3,000
COVID Donations	-	16,468
Total Donations	**368,786**	**332,319**
TOTAL INCOME	**368,786**	**332,319**
EXPENSES		
Professional Agroecology	(195,280)	(154,146)
Forest Conservation	(2,641)	(3,523)
Conservation and Use of Cacao Genetic Diversity in the Huayabamba	(33,637)	(3,523)
Special COVID-19 Support	-	(16,468)
Other Projects	(11,228)	-
Total Direct Project Expenses	**(242,786)**	**(177,660)**
Overhead salaries (fundraising, communication, and administration)	(73,743)	(92,381)
Travel and representation	1,589	(2,624)
Rent	-	-
Fundraising, operating & IT costs	(3,559)	(3,362)
Legal support (advisory fees)	-	-
General admin	(12,192)	(7,810)
TOTAL EXPENSES	**(330,690)**	**(283,837)**
Operating Profit/Loss	**38,096**	**48,482**
Financial costs and income	1,112	(889)
Extraordinary income	-	1,391
Tax	-	-
Yearly Profit/Loss	**39,208**	**48,983**

* Notes about the Overheads

Overheads associated to Project "Professional Agroecology" (25%)	(48,820)	(38,536)
Overheads associated to Project "Forest Conservation" (25%)	(660)	-
Overheads associated to Project "Conservation and Use of Cacao Genetic Diversity in the Huayabamba" (25%)	(8,409)	-

Annex II – Professional Agroecology Budget Reforecast

Reforecast per 2022-12-31 Amounts in CHF	Budget Figures 2021	2022	2023	Total	Actuals 2021	Actuals 2022	Reforecast 2023	Reforecast Total
Outcome 1: Productivity rise through Organic Fertilization & adequate Pest & Disease control	42,270	39,350	39,350	120,970	27,637	31,847	65,393	124,877
Outcome 2: Farmers becoming more professional with adequate tools and competences, Agroforestry Systems	15,500	43,000	37,000	95,500	3,297	25,819	56,337	85,452
Technical project resources	112,500	112,500	112,500	337,500	111,064	114,840	127,462	353,367
Travels	14,000	14,000	14,000	42,000	9,149	13,311	14,000	36,460
Audits and external evaluations	3,000	3,000	13,000	19,000	3,000	5,756	15,791	24,547
Others (unexpected expenses, FX currency differences)	-	-	-	-	-	3,707	-	3,707
Total Direct Costs	**187,270**	**211,850**	**215,850**	**614,970**	**154,146**	**195,280**	**278,983**	**628,409**
Overhead cost (admin, rent, IT, comm) - 25%	46,818	52,963	53,963	153,743	38,536	48,820	69,746	157,102
Contigency - 5%	9,364	10,593	10,793	30,749	-	-	13,949	13,949
TOTAL Project Costs	**243,451**	**275,405**	**280,605**	**799,461**	**192,682**	**244,100**	**362,678**	**799,461**

Annex III – Conservation & Use of Cacao Genetic Diversity in the Huayabamba Budget Reforecast

Reforecast per 2022-12-31 Amounts in CHF	2022	2023	Initial Budget 2022-2023	Actuals 2021	Actuals 2022	Reforecast 2023	Total 2022-2023
Outcome 1:: The cacao genetic diversity in Pucallpillo, Santa Rosa and Pizarro is preserved and centralized in a **conservation garden**	14,423	2,618	17,041	-	8,491	6,401	14,892
Outcome 2: **Elite trees** are selected and planted in a clonal garden	25,534	5,874	31,408	-	181	21,770	21,951
Technical and other project resources	41,074	37,426	78,499	3,523	24,965	51,144	79,632
Direct Project Costs (Outcome 1 + Outcome 2 + Component 3)	81,030	45,918	126,948	3,523	33,638	79,314	116,475
Contingency + Overheads	24,309	13,775	38,084	-	8,409	23,794	32,204
Total Project Costs	105,340	59,693	**165,033**	3,523	42,047	103,108	**148,678**

Annex IV – Community-based Forest Conservation in the Huayabamba Budget

	Amounts in CHF	2023 Total
1	O1: Improved community control and monitoring in 9,118 ha of tropical forests in 3 conservation concessions and their buffer zones	73,080
1.1	Development of community forest monitoring systems	53,450
1.2	Construction and improvement of surveillance posts located at strategic points of greatest vulnerability	19,630
2	O2: The governance, empowerment, and leadership of the 3 community organizations linked to the conservation concessions are strengthened	21,685
2.1	Strengthening local management for the administration and management of conservation concessions (advisory, workshops)	16,071
2.2	Implementation of a pilot program to train local leaders in the management of community conservation areas	5,614
3	O3: The mechanisms for participation and linkage of external community stakeholders with community concessions are improved and strengthened through environmental education	47,038
3.1	Implementation of digital environments and technologies for the development of environmental education activities	14,317
3.2	Development of materials, workshops, and participatory events about the use and management of non-timber forest resources and products	32,721
4	Technical, assistance and other project resources	65,769
4.1	Technical personnel resources	35,548
4.2	Project data management and support	14,338
4.3	Technical training, materials, equipment, travel expenses, contribution to the infrastructure of the implementing association, others	15,883
	Direct project costs (O1 + O2 + O3 + component 4)	**207,571**
	Contingency (5%) + Overheads (25%)	**62,271**
	Total project costs	**269,842**

Implementing Local Partner

Technical Partner

Annex V – Partners

This section is dedicated to our current vital partners, co-creating with us in the Huayabamba. Our 2022 Foundation results could only be possible due to their great support and trust in our vision and work. We are very grateful to each of these teams and organizations for their contributions, feedback, and backing during 2022.

Strategic and Local Implementation Partners

Cooperativa Agraria Cacaotera Choba Choba (CoopACCC)

In the Huayabamba valley – San Martin region, the CoopACCC has been created by cocoa farmers from three communities: Santa Rosa (30 inhabitants, with an adjacent village called Sanambo with 400 inhabitants), Pucalpillo (150 inhabitants) and Pizarro (500 people).

Today, the CoopACCC has a robust institutional framework and governance mechanisms, transparent and professional financial management, and a qualified team of experts, and since 2020, it counts with organic certification.

These achievements have created a framework of trust within the farmer communities and demand national support programs such as Agroideas (a public program promoting improved management and technology adoption of small producers' organizations). In 2018, the CoopACCC was recognized by the Regional Government of San Martin as an ambassador of the "San Martin Trademark", which identifies and promotes sustainable growth and inclusive development initiatives in the region. And in 2022, the CoopACCC was elected as chair organization of the Provincial Technical Committee on Sustainable Landscapes of the Mariscal Cáceres province.

The Choba Choba Foundation implements and monitors its main projects hand in hand with the CoopACCC management, technical staff, and farmers, ensuring agility, adaptability and real-time monitoring of the critical activities and progress to goal. A review/ monitoring process occurs in weekly, monthly, and quarterly meetings involving CoopACCC technical staff, Choba Choba Foundation's experts (based in Peru) and leader farmers.

APPCACAO is the Peruvian association of cacao producers, a national guild created in 2004 by the initiative of small producers - associations and cooperatives. It offers specialized services to strengthen cacao production systems, cooperative institutional development, and capacity building. It aims to promote Peruvian cacao at national and international levels, strengthening this sector's foundations with a focus on sustainability & social, environmental, and gender responsibility values. APPCACAO is a strategic partner of our research project, Conservation and Use of the Cacao Genetic Diversity.

Technical & Strategic Partners

The Research Institute of Organic Agriculture (FiBL) is one of the world's leading institutes in organic agriculture. FiBL provides, among others, outstanding expertise in agroecological cocoa production systems, especially in designing, monitoring, and managing diversified agroforestry systems (AFS). FiBL has been our key partner in modelling the customized AFS that

have been a) implemented in demo plots and b) integrated into CoopACCC's farm renovation plan.

The Alliance of Bioversity International and CIAT is a global research-for-development organization. It mainly works with partners in low-income countries in regions where agricultural and tree biodiversity can contribute to improved nutrition, resilience, productivity, and climate change adaptation. The Alliance has been our technology partner since the start. In 2022 it carried out research related to pest and disease control, and cadmium mitigation in farmers´ fields, as well as providing technical assistance and cofunding activities embedded in our project Conservation and Use of the Cacao Genetic Diversity.

SWISSCO (Swiss Platform for Sustainable Cocoa) fosters collaboration between the cocoa and chocolate industry, the public sector, non-governmental organizations, and research institutes. Together, the SWISSCO members actively improve cocoa farmers' living conditions, protect natural resources, and promote biodiversity in cocoa-producing countries. As a platform member, Choba Choba has been able to share the lessons learnt from the projects and the ecosystem.

Financial and Implementation Partners

SECO and **HELVETAS Swiss Intercooperation** are lead partners of the "Sustainable Cocoa Sourcing Landscapes in Peru", a joint initiative launched by the Swiss Platform for Sustainable Cocoa that aims to foster sustainably managed landscapes in San Martin, to improve competitiveness, climate-resilient cocoa production systems and the livelihoods in the region. The activities implemented in our project Professional Agroecology and presented in this report were embedded in this Landscape approach.

Leopold Bachman Stiftung: "Shaping the future together"; Leopold Bachmann Stiftung is a Swiss foundation that supports programs of selected partner organizations. These organizations commit themselves to corruption-free, entrepreneurial, and transparent management. Leopold Bachmann Stiftung has accompanied the Choba Choba Ecosystem since 2015 and co-funds our project Professional Agroecology.

atDta: helping others to help themselves - advocates for a world in which everyone can lead an autonomous, fulfilled life. atDta wants to enable people to develop their ability to help themselves effectively. Therefore, it encourages people to develop their full potential. atDta Foundation has accompanied the Choba Choba Ecosystem since 2017 and co-funds our project Professional Agroecology.

UBS Optimus Foundation is an independent philanthropy associated with a global wealth manager, pioneering innovative ways to tackle some of the world's most pressing social- and environmental problems. It is a leader in social finance, testing and proving new tools supporting education, health, the environment, and child protection. Choba Choba Foundation became a UBS Optimus Foundation grantee in 2021 in the framework of our project Professional Agroecology.

Alter Eco Foundation (AEF), "World regeneration – one ecosystem at a time": AEF believes in the power of regenerative agriculture, a way of farming that is not only resilient to climate change but also capable of reversing it, that respects the human beings growing our foods

and the environment around them. To help farmers transition to this new farming model and make it available to the cocoa industry, AEF co-funded our project Professional Agroecology.

Stiftung Temperatio, Foundation for Environment, Culture and Social Affairs – “The right mix, the right proportion”: one key focus of Stiftung Temperatio is the work to preserve natural landscapes and biodiversity that counteract the effects of climate change. Thus, they financially support our Conservation and Use of the Cacao Genetic Diversity project.

Stiftung Corymbo is an independent umbrella foundation with a diversified field of impact. It offers donors a proven vehicle for charitable involvement, allowing them to decide the purpose of their support independently. As a grant-making foundation, it supports projects in the areas of social welfare, ecology, and culture; Stiftung Corymbo co-funds our project Conservation and Use of the Cacao Genetic Diversity.

Stiftung für Unternehmerische Entwicklung (Foundation for Entrepreneurial Development, SfUE): „Entrepreneurial capital is the basis of any entrepreneurial activity and thus the foundation for a free society”. Complementing this "Life Concept of Entrepreneurship", SfUE supports projects that make know-how accessible, promote research or train entrepreneurial activities. SfUE has accompanied the Choba Choba Ecosystem since 2016 and co-funds the Choba Choba Foundation since its creation.

The Canton Basel-Stadt and the Council of the **Municipality of Baar** are public organizations in Switzerland that assess the impact of projects implemented outside of Switzerland to grant financial aid to the selected ones. Our project, Conservation and Use of the Cacao Genetic Diversity, counts on this support.

Choba Choba Patrons believe that empowering cocoa farmers goes hand in hand with protecting our natural environment in the Huayabamba and are fully integrated community members. They engage in supporting us in achieving our mission and goals long-term.

Annex VI – 2022 Quarterly Visual Reports

CCF 2022-Q1 Visual Report

CCF 2022-Q2 Visual Report

CCF 2022-Q3 Visual Report

CCF 2022-Q4 Visual Report