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The Company

Who is ForestFinance?

The ForestFinance Group, headquartered in Bonn, Germany, disposes of over two decades of experience in the development of forestry investments. Now, ForestFinance manages forest investments totalling 80 million euros and amounting to approximately 17,500 hectares of forest in South America and Asia for more than 17,000 customers. 35 employees in Bonn are primarily responsible for customer service and contract handling, and also for the carbon market (with the CO2OL brand) and the scientific forest knowledge management. Several forestry experts supervise adherence to the high quality standards and the ecological and social principles of ForestFinance. Around the world, ForestFinance directly and permanently employs approximately 160 people and indirectly or seasonally 550 forest workers who are occupied with the afforestation and maintenance of our various forests. Founder and former CEO of the ForestFinance Group, Harry Assenmacher, has played an active role in the field of ecology since the early 80's. Harry was in charge of the operative business of the Forest Finance Service GmbH until the end of 2015. As of January 1st, 2016, Richard Focken has become the second CEO, managing the company together with Christiane Pindur, who became CEO in 2013.

Harry has exchanged the management of the operative business of the company for the chairmanship of the new supervisory board. In this capacity, he consults for the management and ensures the ForestFinance Group stays true to its founding principles and brand essence.

History

What started as the partner company of a Panamanian forestry company in 1997, became an independent German limited liability company (ForestFinance Service

GmbH located in Bonn) with subsidiaries, associated companies and branch offices in Panama, Vietnam, Colombia and Peru, which are land-owning companies or provide customer service in various regions of these project countries.

The ideal symbiosis of profitable investments and ecologically meaningful activities is the top priority of all staff and the idea behind all ForestFinance Group products. With the TreeSavingsPlan the ForestFinance Group succeeded in developing an investment product which allows low budget investors to make a sustainable investment with lucrative returns in an ecologically sustainable raw material.

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Where are the ForestFinance forests located?



Why do ForestFinance investments make ecological sense?

Each of your ForestFinance investments is a contribution to [environmental and climate protection](#), supporting the reforestation of fallow land in Panama and Peru and the sustainable conversion of monocultures into mixed forests in Vietnam and Colombia. Your trees help to improve the soil quality; they act as natural water storage and provide habitats for rare plant and animal species. Apart from species protection, your investment plays an important role in climate protection: trees sequester CO₂ from the atmosphere, mitigating the global increase in greenhouse gases.

Nature needs time to regenerate. Your investment protects forest permanently. The CO₂ capture and storage is guaranteed for by international standards such as Gold Standard.

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Why do ForestFinance investments make social sense?

Your investment in forest provides livelihoods for people in Panama, Colombia, Peru and Vietnam, who make a living from our projects. At peak times, up to 700 employees work at the ForestFinance project locations, earning more than the national minimum wage. We support our employees in developing their skills and offer them the possibility to take part in further education in training. For instance, we have introduced an on-the-job education programme in Vietnam which is funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and implemented by Sequa gGmbH and ForestFinance.

Environmental education plays a key role in involving the local population: your investment supports for instance a public nature trail in Panama, which is used by surrounding schools to raise the pupils' awareness for nature.

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Who are the ForestFinance partners?

The ForestFinance Group is an important contact for economic, forest scientific and development organisations. In particular our good networks in the project countries and our commitment to sustainable development are reasons why our partners trust us.

ForestFinance is a founding member of both the Business and Biodiversity Initiative 'Biodiversity in Good Company' in Germany and the [Biodiversity Partnership Mesoamerica](#), together with the environmental institute CATIE. As a full member of the Forest Stewardship Council Working Group Germany e. V., we work together

with forest owner associations, public forest administrations and forestry companies in the interest of a sustainable timber certification.

Moreover, ForestFinance CEO Harry Assenmacher is a member of the senate of the German Environmental Foundation and the German Senate of the Economy.

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Can companies invest in forest too? (CO₂OL)

Yes, of course they can. One of the best ways for companies to do so are the CO2OL climate protection projects. CO2OL, a brand of the ForestFinance Group, offers companies the possibility to contribute to climate protection and, at the same time, to create social and ecological additional benefits by investing in international forest projects and by offsetting their corporate carbon footprint. However, there are various other ways for companies to sustainably invest in forest, such as a pension scheme for employees.

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Forest & Forestry

Is this a new rainforest?

No, this is not a “new” rainforest. Once primary forests and rainforests have been clear-cut they are irrecoverable. What does, however, come into existence through ForestFinance and your investment is a new secondary forest suited to the location: fallow land is turned into a forest ecosystem, providing new habitats for the local flora and fauna (“plenter forest”). The certified, ecologically-sustainable forest management ensures that the forest becomes an attractive living-space for animals and serves as a stepping stone between primary forest remnants. As a rule, the ecosystem of a newly planted forest is less complex than that of a primary forest. Achieving the same complex condition as its predecessor usually requires hundreds of years of regeneration and a strict ecological orientation of the forest management. Learn more about our forests and our certified sustainable forest management system [here](#).

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Does reforestation benefit the rainforests?

We believe it does! The planting of mixed forests, as it is done by the ForestFinance Group, creates jobs for the local population in and through the forest. As a result, people are no longer forced to cut and destroy primary forests elsewhere in order to cover their need for timber and to make a living. Simultaneously the trade pressure on timber from rainforests is eased by the production of certified, ecologically sustainably produced timber. The availability of sustainable timber in world trade means that one does not have to fall back on supplies from the (illegal) exploitation of primary forests – which must, of course, be completely banned. Thirdly, afforestation projects contribute to the reconversion of fallow land into a forest ecosystem. They provide food and habitats for numerous endangered animals, protect the soil from erosion and dehydration and are important carbon sinks.

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Which forest system is applied? Are the forests monocultures?

ForestFinance forests are in general completely different from monocultures. The ecologically managed forests mainly consist of native tree species that are suited to the location. We are building forests or, more specifically, the tropical version of a plenter forest.

All of the ForestFinance products aim at creating a socially and ecologically sustainable forest suited to the location. However, there are some differences between the individual products:

1. TreeSavingsPlan, WoodStockInvest, ForestSavingsPlan and CacaoInvest

The TreeSavingsPlan, WoodStockInvest, the ForestSavingsPlan and CacaoInvest are investments in the reforestation of fallow land with mixed forests that mainly consist of native tree species and include a nature reserve area. As these projects are for-profit, the planted tree species are selected according to their productiveness and market value (such as Teak, Mahogany, Amarillo, Cedro Espino, Zapatero and Cocobolo). Chemical fertilizers and pesticides are avoided when possible. The forest areas usually consist of former pasture land.

This means we are not yet in the final stage of the forest management but at its beginning which resembles, during the first years in particular, a tree nursery that rapidly develops into a tropical mixed forest. However, this new forest is a secondary forest, not an old-growth rainforest (read more in the section “Is this a new rainforest?”).

2. GreenAcacia

By contrast, GreenAcacia includes already existing acacia plantations that are acquired and gradually converted into a forest by ForestFinance. Acacia trees

improve the soil by aerating and enriching it with nutrients, enabling other tree species to grow. After the first thinnings and only seven years, the first native tree species can be planted – the beginning of a mixed forest. Regardless of the product, the secondary forest that comes into existence through your investment will endure, even after the harvest. It becomes an important gene pool, provides new habitats for numerous animals and plants and contributes permanently to water and climate protection. Learn more about our forests, the tree species growing in them and their benefits.

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How does ForstFinance acquire its land?

A fair exchange of interests without expulsion or taking advantage of the financial situation of sellers has been part of our corporate philosophy for more than 16 years. This means that ForestFinance contributes to the improvement of the living and working conditions of the local population, including the land sellers through the creation of long-term and socially secure jobs but also through additional social programs and by directly involving the local population. New forest can only be created in a sustainable and long-lasting way if the local population benefits from it, too. Teamwork is at least as important in the forest as it is in the office. People who depend on the forest will help to conserve it and to expand it.

Similar to the production of organic food, a forest investment is worth its price only (but then indeed) if all of the involved parties benefit from it. For this reason, ForestFinance generally objects to generating the profit of its customers from the exploitation of its suppliers, employees or nature. This comes at a price – and sustainably thinking and acting investors have to pay it.

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What are CCBS, FSC® and Gold Standard?

These are the acronyms used for the four most commonly known standards that are applied to certify the social and ecological sustainability of climate protection or forest projects. ForestFinance forests are certified according to these standards by independent third parties.

1. FSC

The Forest Stewardship Council® (FSC® for short) is an international NGO aiming at the conservation of forests by means of an environmentally appropriate and socially beneficial forest management. To this end, the FSC developed a label for timber that is acknowledged worldwide. The forest management assessment leading to the FSC certification is carried out by independent certification bodies such as the Rainforest Alliance. Numerous environmental organisations and unions support the FSC. Our forests in Panama are ecologically-sustainably certified.

2. Gold Standard

In 2012, the Gold Standard Foundation acquired the CarbonFix Standard, extending its original project scope into land-use and forests. Transition projects will be converted into Gold Standard projects until mid 2013. The Gold Standard is acknowledged worldwide for its strict criteria. ForestFinance is the project developer with the most diverse Gold Standard transition project portfolio in the market and most experience in the development of Gold Standard forest carbon projects.

3. CCBS

The CCBA (Climate, Community & Biodiversity Alliance) standards certify project benefits for the climate, regional development and biodiversity. Our afforestation project in Panama is “gold” certified. The project assessment leading to the CCBS certification is carried out by the Rainforest Alliance.

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20 to 25 year investment period?

To achieve the required quality, a shorter period just cannot work for a reforestation that begins with the planting of seedlings. The tropical climate, a high-quality forest management and good soil conditions permit trees to grow almost six times faster than in Germany. To obtain usable timber of the same quality in Germany would require 80 to 140 years. It is all about a natural process. This is why the first major proceeds are only available after 20 to 25 years. ForestFinance makes sure that all prospective customers are aware of this.

Promises of significantly shorter investment periods and higher returns are, in our opinion, based either on incorrect information or on environmentally destructive, unsustainable forestry such as Eucalyptus, or other monoculture, fast-growing non-native trees. ForestFinance products that are based on short rotation plantations with monocultures such as Acacia mangium are only temporarily used to improve the soil, preparing the area for an afforestation with a mixed culture after harvest.

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What happens during the 20 to 25 year investment period? (Products such as TreeSavingsPlan, ForestSavingsPlan, WoodStockInvest, CacaoInvest)

Year 1-3

The largest amount of labour is required before you have even invested: seedlings are cultivated from selected quality seed and already existing forests in our own tree nurseries. Planting times differ according to the region:
In Panama, planting time lasts from June to October with geographical and climatic differences. The seedlings measure 20 to 40 centimetres and have to survive their first dry period from December to May. Seedlings that do not survive this first dry period (less than four per cent) are replaced with new seedlings in the following year. The main tasks during the first years are regular checks (almost every day), regular treatment for pests, pruning etc.
All ForestFinance products in Panama offer a replanting guarantee for the first five years (this means, in the case of CacaoInvest, the guarantee covers the forest in Panama, but not the cocoa forests).

This means that seedlings that do not take, or trees that show little or bad growth are replaced at our cost. Nevertheless, it needs to be taken into account that a mixed forest system imitates the natural selection process and benefits from it. Even the natural "drop out" of individual trees is welcomed as it stimulates growth optimisation and the selection of the best trees. This process is further optimised through thinnings.

Year 4-5

When the trees reach their fourth or fifth year they are strong enough to fight for survival in the tropics (almost) unassisted. At this stage care of the trees is focused on timber requirements (as straight as possible to ensure maximum timber yield).

Year 8-12

First thinning takes place to clear space for further growth.

Year 15-18

Second thinning.

Year 19-22

Third thinning.

Year 22-25

Harvest and timber sale. Payout to customer.

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What happens during the 7 and 12 year investment period? (GreenAcacia)

Year 1-3

The areas in Vietnam and Colombia are already completely planted with older Acacia trees. The stage of tillering, which is most complicated, has already been accomplished. The forest managers encourage the trees to grow as straight as possible in order to achieve a maximum harvest. Part of the area in Colombia is newly afforested; Acacia mangium serves here as a "soil conditioner" in order to prepare the soil for planting other, native, trees.
First thinnings and payouts to customers.

Year 4-7

Further thinnings and payouts to customers.

Year 7/12-25

New afforestation and underplanting with self-grown native seedlings; gradual conversion of the area into a mixed forest.

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Can I visit my trees?

Of course you can! Just give us a short notice if you are planning to go to Panama. Our colleagues will be happy to organise a visit of the areas accompanied by one of our forest engineers ("investor trip") for you. Unfortunately, the locations of the areas in Colombia, Vietnam and Peru are rather remote and therefore not well-suited for visitors. Please contact us!

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How do I learn something about the development of my trees?

Each year, we alternately publish a general activity report and a forestry report or project reports from our locations respectively. In addition, we keep our customers informed with newsletters. Customers are also informed by newsletter when new reports are being published. All reports are available in your online customer account, which you will find at www.forestfinance.de under „My account“.

Based on the information where your forest area is located, you are then able to learn from the reports how your trees have developed and which activities took place on the project area in the preceding year. Furthermore, we strive to keep the picture galleries for each finca (which you will find in your customer section under „Our forests“) up to date to allow you to see new pictures of your trees on a regular basis. Please do not hesitate to contact us should you have any further questions.

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Investment

How much return can I expect?

The forecast return depends on the product. You will find more information on our return expectations and what they are based on our product pages and in our product flyers. The return forecasts of all ForestFinance forest and agro forest products are based on

- experiences and values of the past,
- actual sales returns and
- expectations in future developments.

To this end, we analyse data from numerous reliable sources such as international indices and trading publications (for instance ITTO, NCREIF, FAO), own sales experiences and market studies.

The following are some of the most important parameters of our calculations:

- timber yield per area,
- prices for various tree species,
- whether the timber is sold on the national or international market,
- timber qualities and certificates,
- additional returns from the sale of own certified seed material or carbon credits.

Similar criteria are applied in order to calculate the returns of processed products (for instance wood chips, pellets or charcoal) and agricultural forest products (such as cocoa). Of course, we adjust our return forecasts to market developments on a regular basis.

The returns from the sale of timber and other forest products are expected to rise, but are accompanied by costs which are partly rising as well. However, tropical forestry causes most of the costs during the first three to five years. This way, approx. 70 per cent of the overall costs occur during the first five years. This minimises the cost risks for long-term forest investments.

Read more about our return forecasts [here](#).

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How is my money being invested?

Initially it remains in Germany. ForestFinance clients make deposits into a German bank account. For safety reasons, if for no other, the ForestFinance Group manages its funds in Germany, which proved itself during the bank crisis in 2008/2009. The liquidity reserves of ForestFinance are invested conservatively (German fixed deposit accounts in euro as well as in dollar to balance exchange rate risks). The long-term reserves are also partly invested in real assets (real estates). According to the progress of the forestry work, the funds are transferred quarterly and step by step to the country where the forestation takes place and, there, are used promptly for the afforestation of the forest area leased or purchased by you.

The ForestFinance Group balances the individual companies both in Germany and in the Central American and Asian region according to a consistent international standard and submits a consolidated and certified balance sheet for the whole concern.

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How do I receive my payout when the investment term has ended?

The ForestFinance Group will harvest and sell the usable trees. The profits generated from the sale of trees will be transferred from the respective afforestation country to the bank account indicated by you. Harvest and distribution costs are already included in all return forecasts. Please remember to keep us informed about your address/bank account to allow us to contact you after the harvest of your trees.

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Do I have to pay tax?

There is no unitary taxation policy for ForestFinance products. **Please consult your tax consultant, auditor or appropriate tax office.** We support our clients where necessary. **However, please note that we do not offer legal or tax advice. Where necessary, seek the advice of professionals competent in these fields.**

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What happens if ForestFinance goes bankrupt?

In the case of a bankruptcy, you are protected by the following safeguards: first, your investment is an investment in a real asset which is no part of the bankrupt's assets in the case of an insolvency of the Forest Finance Service GmbH. The real asset (your investment) remains the property of the investor. Second, since tropical forestry causes nearly 50 per cent of all costs during the first year (area, preparation, tree nursery, afforestation, tree tending measures) and approx. 75 per cent of all costs during the first five years, the investment risk decreases in the course of the investment period (whereas the real value "grows").

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Risks? And tips for dealing with risks!

Yes, an investment in forest carries risks, just like any investment; risks that could even lead to complete loss. Our products are direct investments in a natural resource (growing trees). For this reason, the final economic result is not yet known and can only be forecast by us. There is no guarantee for the payback of invested capital or for the forecast returns.

Our products are not recommended to investors who have to be able to sell an investment at short notice. Since there is no stock market for our products, an individual sale of the direct investment prior to maturity cannot be guaranteed and may result in financial losses.

However, an investment in timber is by nature a rather conservative investment insofar as it is linked to real values such as real estate. Ultimately you are investing in the production of agricultural goods (timber) and, thus, in a renewable resource that is much in demand.

The ForestFinance website contains all the information deemed necessary by ForestFinance to make a decision either for or against one of our forestry products. In our view the opportunities outweigh the risks.

Please feel free to consult independent experts (tax consultants, forestry experts, consumer protection agencies) for advice. Long-term forest investments are not recommended for inexperienced investors and require thorough information about the underlying business model and forestry.

An overview of the natural risks

The primary risks during the first one to five years are infestations with pests/vermin, extended droughts and fire. For ForestFinance products with an investment period of 25 years, a fire insurance and a replanting guarantee offer additional protection during these first five years. From year five on, the trees are sufficiently resistant to any natural risks. Please read more about our security measures [here](#).

Political risks

Our project countries have proved themselves as good investment locations during the past years. Read more about our investment locations [here](#).

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Protection and safeguards?

ForestFinance has taken several separate protective measures against risks. For instance, an ecological forestry concept already helps to prevent pests. A wide variety of species offers better protection from pests than a monoculture. In addition, a very thorough forestry care and highly labour intensity are applied. As a last resort, mainly organic pesticides are used to fight pests. For a decade this system has been exhaustively tested and found effective.

In order to prevent fire, firebreaks have been cut through all forests, fire fighting equipment has been provided and a fire watch system has been introduced during the high risk months (March, April). This system proved itself two years ago during a highly-destructive fire in a neighbouring (non-ForestFinance) forest. Our plantings suffered no damage!

In addition, our afforestations in Panama (the same applies to GreenAcacia Colombia) are covered for fire damage by fire insurance for the risky first five years. Please read more about this topic in the [ForestFinance Guarantee of Quality](#).

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What about fire prevention and pest control?

A harvest co-operative is part of all of our products. This means that the costs as well as the revenues of a harvest co-operative are allocated to all its members, offering a significant advantage for all customers as it decreases the costs and, thus, increases the profit for each investor. At the same time, risks are diversified: the revenue will be distributed to all members of the harvest co-operative, so that nobody has to suffer from small discrepancies.

In addition, our afforestations in Panama (the same applies to GreenAcacia Colombia) are covered for fire damage by fire insurance and a replanting guarantee for the risky first five years. However, please keep in mind that investments in

forest always carry natural risks.

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Do I have to pay for my TreeSavingsPlan for 25 years?

It is your choice if you would like to pay for 25 years or if you prefer your TreeSavingsPlan to end earlier. If you pay for one year, we will plant twelve trees for you and care for them for 25 years until harvest. Of course, you can also pay for several years; in that case, we will plant twelve trees for you each year. Thus, you will receive your respective payouts for each year, in which you invested in your TreeSavingsPlan, after 25 years. For instance, if you invested from 2011 to 2014, you will receive the respective revenues, generated from the sale of the trees, during four succeeding years from 2036 on.

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TreeSavingsPlan: right of withdrawal and cancellation right

ForestFinance strictly follows German consumer protection legislation and grants its customers termination rights over and above this regulation. As a consumer you can withdraw from the contract without any statements of reasons in written form (e.g. via mail, fax or email) within two weeks. Payments that have already been made will be refunded immediately.

If you stop paying the rates at a later time during the contract period of the TreeSavingsPlan, we will regard this as extraordinary termination and will renounce collecting further rates. On the contrary: Except for the first four rates, we will reimburse you for all the rates which have already been paid up to that point of time.

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Do I lease two different estates by investing in CacaoInvest?

Indeed CacaoInvest involves two separate estates. The reason for this is that fine wood species need another kind of soil and tending than the shade-giving trees in the cocoa forest. In addition, the timber harvest requires completely different technical features of the area and forest management than the cocoa harvest. Therefore, a combined timber and cocoa production would not be efficient. However, our cocoa forests are no monocultures, but mixed forests, too, as the cocoa needs shade-giving trees for a good growth.

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