

Progress report ForestFinance 2013/2014

Regarding the leadership
declaration of the
initiative 'Biodiversity in
Good Company'



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Cover picture:

The crested caracara (*Caracara cheriway*) is a hawkish bird native to Southern North America, Central America and Northern South America. This specimen was photographed by ForestFinance CEO Petra Kollmannsberger on the Finca La Paz in Colombia.

ForestFinance is building forests – since 1995.

Having started as a green idea in Bonn, Germany, ForestFinance has become an international group of companies, offering direct investments in ecological afforestation and sustainable forest products to private and institutional investors worldwide.

All forest investment products are based on ecologically-sustainable forestry and the idea that all parties involved, nature and man, can benefit from ecological forest investments. For this reason, species protection and the promotion of biodiversity are part and parcel of the business philosophy of ForestFinance and an essential part of all its investment products.

Nevertheless, ForestFinance strives to further improve its species protection measures, particularly by monitoring the group's impact on biodiversity.

In order to find solutions and practical approaches for species protection in business life, hand in hand with other companies from different industries, ForestFinance has joined the initiative 'Biodiversity in Good Company' in 2010.

In this report we explain the progress that we have made during the past years with regards to species protection using the seven points of the leadership declaration, which we have committed ourselves to, as a guideline.

1. Introduction



Leadership declaration:

All signatory companies acknowledge and support the three objectives of the international "Convention on Biological Diversity"

- Conservation of biological diversity
- Sustainable use of its components
- Fair and equitable sharing of the benefits that arise out of the utilization of genetic resources

and commit themselves to:

1. Analyzing corporate activities with regard to their impacts on biological diversity;
2. Including the protection of biological diversity within their environmental management system;
3. Appointing a responsible individual within the company to steer all activities in the biodiversity sector and report to the Management Board;
4. Defining realistic, measurable objectives that are monitored and adjusted every two to three years;
5. Publishing activities and achievements in the biodiversity sector in the company's annual, environmental, and/or corporate social responsibility report;
6. Informing suppliers about the company's biodiversity objectives and integrating suppliers accordingly and step by step;
7. Exploring the potential for cooperation with scientific institutions, non-governmental organizations (NGOs) and/or governmental institutions with the aim of deepening dialogue and continuously improving the corporate management system vis-à-vis the biodiversity domain.

To demonstrate ongoing commitment, member companies will provide the Initiative with a progress report every two years.

2. The impact of corporate activities on biodiversity



A cloud forest in Panama. The tropical rainforests of Central America are among the world's regions that are richest in species. Every tenth species on the planet lives here; most of them are endemic.

Photo: ForestFinance

The protection and promotion of biodiversity are integral parts of the ForestFinance Group business concept. This means that the company's products and projects shall have positive impacts both on the environment and biodiversity in particular.

ForestFinance adheres to the principles of sustainability, including all of its three pillars, i.e. social, economic and ecological objectives. As a socially responsible company, ForestFinance contributes to the improvement of living and working conditions in the project regions by introducing social programs and involving the local population. At the same time, ForestFinance offers its customers the possibility of a green investment which brings not only economic but also social and ecological benefits.

The corporate slogan "building forests" emphasizes the fact that ForestFinance creates ecologically valuable mixed forests instead of species-poor monocultures as they are known from conventional tropical forestry which often aim solely at maximum returns.

ForestFinance is "building forests" in order to be able to harvest sustainably and ecologically certified tropical fine timber for its investors. Only selected trees are harvested, there are no clear-cuts. Furthermore, ForestFinance plants climate protection forests where no thinnings take place, generating high-quality carbon credits to be used by companies and organization.

The reforestation of fallow, former pasture land with mixed forests mainly consisting of native tree species suited to the location, directly contributes to species protection in the project regions. ForestFinance has applied this reforestation concept in Panama for nearly two decades.

Situated on the isthmus connecting two continents, Panama is one of the earth's rare biodiversity hotspots. The tropical rainforests of Central America are among the world's regions richest in species. Every tenth of our planet's species lives here; most of them are endemic. Towards the end of the 19th century, settlers began to clear-cut vast areas of primary forest in order to acquire farmland. This process accelerated in the course of the following centuries and has not been stopped yet. It is only in poorly accessible regions, such as mountains or swamps, that primary forest remains, allowing a variety of species to survive.

The reforestation projects promote biodiversity in the project regions by creating new, permanent near-natural secondary forests. The ecological benefits of the mixed forests, mainly consisting of native, non-invasive tree species suited to the location, are much bigger than those of monocultures. Only degraded areas such as fallow former pasture land, which could not regenerate autonomously, are being reforested. To generate carbon credits, the areas are partly reforested as “carbon forests” (natural carbon sinks) and turned into nature reserves by CO₂OL, a ForestFinance branch.

The project areas in Panama, consisting of approximately 60 small to middle-sized fincas, provide new habitats for many different native animal species. In the course of the past 19 years, ForestFinance has managed more than 3,200 hectares in Panama. Almost 900 hectares of our project areas in Panama, about a quarter of the total area (as of October 2014), are nature reserves where no forest management takes place. In particular, remnants of primary forest, wetland, and river areas are rigorously protected as they provide habitats for numerous amphibians and other species.



Finca “Meteti I” in Panama – forest remnants (in the front) are supplemented through the reforestation of fallow and degraded areas (in the middle), forming a new, bigger forest habitat for animals and plants.



Aerial photograph showing the before and after effect: bleak pasture land borders a reforested area in Panama.
Photos: ForestFinance



Hummingbirds (on the left: broad-tailed hummingbird *Selasphorus platycercus*, photo: wikipedia/Bill Ratcliff) mainly feed on nectar and insects that they find in blossoms. The dart frog *Dendrobates spec.* (on the right) lives in the ForestFinance cacao forest at Quebrada Limon, Almirante.

The connection of forest remnants through reforestation results in an additional regeneration of the areas. New forests serve as an important stepping stone to build new biotopes: The newly created forest is soon inhabited by reptiles and birds feeding on insects. These animals are at the same time a natural remedy against pests, offering protection to the young trees.

In addition, the project promotes the natural process of forest succession and regeneration. The great number and variety of native tree species in the mixed forest offers perfect living conditions for insects, birds and mammals. Numerous bird species and traces of bigger mammals such as the endangered ocelot have been seen on the ForestFinance project areas.

In Vietnam and Colombia, ForestFinance has acquired already existing Acacia plantations in order to convert them into a similar near-natural forest ecosystem with mainly native tree species. Thus, the mutual objective of all ForestFinance projects worldwide, namely to create a permanent forest suited to the location, is put into practice in these countries, too. This includes the establishment of nature reserves: In Vietnam, the nature reserve area amounts to roughly 560 hectares with a total project area of roughly 2,600 hectares, and in Colombia the nature reserve area amounts to 1,200 hectares with a total project area of 4,580 hectares.

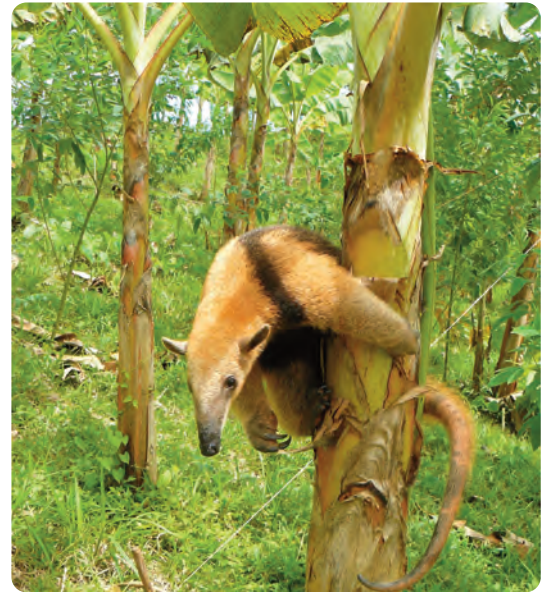
Acacia trees improve the soil, preparing it for more demanding native tree species, which would otherwise not find enough nutrients in the deforested and degraded soils. The reason for this being that Acacia trees filter harmful substances from the soil and enrich it with nitrogen, reconvertng the degraded areas into a place for planting mixed forests that consist of species rich tree varieties suited to the location. The goal is to create a permanent forest, with all its ecosystem services, one that is as close to a natural forest as possible.



Many animals such as this family of armadillos, which can also be seen during the day, live on the ForestFinance areas in Vichada, Colombia. Others, like the ever-elusive jaguar, are rarely sighted but leave their traces within the ForestFinance forests.

Photos: ForestFinance

Apart from mixed forests, ForestFinance also plants and manages cocoa agroforestry systems in Panama, as well as Peru (since 2012). The term agroforestry system means that the cocoa trees grow together with other plants such as shading or banana trees. This mixed forest system creates stable forest biotopes and offers significant protection against natural risks, such as, pests and diseases. Since May 2014, our cocoa forests in Panama are certified in the frame of the UTZ Certified Program. The UTZ certification requires sustainable agricultural management as well as good working conditions for the employees. The CacaoInvest forests in Peru will be certified as well and already meet the necessary criteria. Please see chapter 3.2 to learn more about UTZ and other certifications.



A young anteater is climbing on a banana tree growing on the ForestFinance cocoa finca Quebrada Limon in Panama.
Photos: ForestFinance/Silke Berger



Young sloth in the ForestFinance cacao forest Quebrada Limon.

3. Inclusion in the environmental management system

As set out above in chapter 2, the positive environmental impact of all business activities is already an essential part of the whole corporate concept itself. Besides high monitoring standards and strict controls through official third organizations “afield”, the ecological and social sustainability of the business is also being ensured in the office by our Quality Manager Iris Gerritsen (see chapter 3.1), who closely cooperates with the project managers in the project countries and auditors from independent third parties (see chapter 3.2). A sustainability report on all activities of the ForestFinance Group is published every two years. The report does not only include project activities, but also the activities in the headquarters in Bonn (see chapter 6).

3.1. Sustainability in the office

ForestFinance understands the importance of adhering to high ecological principles both in the forest and in the office. Consequently, ForestFinance was awarded bronze for its “Exemplary Activities with Regards to Office and Environment” in the category “Companies with up to 500 Employees” in the competition “Office and Environment” of the German Environmental Management Association (Bundesdeutscher Arbeitskreis für Umweltmanagement e.V.) for the second time in 2013.

Environmental protection is of utmost importance to ForestFinance when purchasing office material and equipment. For this reason, the company has acquired two industrial strength cutting-edge printers in 2011 that produce approximately 90 per cent less waste than conventional ones and prevent both the production of toner powder and ozone emissions. Although these special printers are pricy to purchase, their maintenance is less expensive, making them a sustainable investment for an environmentally friendly office.

In addition, ForestFinance and its approximate 30 employees in Bonn, have been using green power from the Naturstrom AG (a renowned German green electricity provider) for years and actively recommends it to its customers. Waste separation, recycling, and the use of recycled or particularly environmentally friendly products are also part of the business principle, contributing to environmental protection in the office. In order to make unavoidable employee travel as environmentally friendly as possible, ForestFinance supports the use of the so called job ticket for commuting, which can be also be used privately. This way, employees only have to pay a small price for public transport, which would normally cost more than 100 euros per month. Half of the employees in Bonn use this special offer. As a result, only a few employees have to drive to work via car. Even bees and other useful insects are welcome at ForestFinance: an insect hotel outside of the office provides room for nesting and hibernation.



ForestFinance Quality Manager Iris Gerritsen receives the award for “Exemplary Activities Regarding Office and Environment” from B.A.U.M. e.V.



Harry Assenmacher and the insect hotel in the backyard of the ForestFinance office in Bonn.
Photos: ForestFinance

3.2 Certified projects with sustainability guarantee

The ForestFinance project areas are certified and validated by independent third-party organisations on a regular basis to secure the quality of the forest and reforestation projects and their positive impact on biodiversity in particular. The following internationally renowned quality standards for forest projects are applied:

Forest Stewardship Council® (FSC®) Standard

The mission of the Forest Stewardship Council (FSC) is to promote environmentally appropriate, socially beneficial, and economically viable management of the world's forests. The independent non-profit NGO was founded in 1993 as a result of the United Nations (UN) Conference on Environment and Development in Rio de Janeiro. The FSC Standard ensures a responsible management of the global forest resources by defining and monitoring the adherence to environmental and social standards of forest management. Therefore, timber and timber products that carry the FSC logo stand for a forest management that is environmentally appropriate, socially beneficial and economically viable. The FSC standards are based on ten principles and 56 criteria of forest management. Forests that are managed according to these standards can be FSC certified. Only companies adhering to the strict criteria of the FSC are allowed to use the FSC logo on their products. Independent third party certification bodies verify the use of FSC standards every year. The FSC is supported by numerous environmental organizations and unions.

All forests of the Forest Finance Panama S.A. that are reforested and maintained in Panama are done so according to the guidelines of the Forest Stewardship Council (FSC). In the provinces of Chiriquí, Veraguas, Darien and Panama, Forest Finance Panama S.A. maintains 2,664 hectares under the FSC certification number SCS-FM/COC-004871. This applies to our products; Gift-Tree, TreeSavingsPlan, ForestSavingsPlan and WoodStockInvest. The newest TreeSavingsPlan areas in Mamoni Valley are still in the certification process. FSC certified until 2014 by the Rainforest Alliance, since February 2014 by SCS Global Services.

Our product GreenAcacia Vietnam is FSC certified through our forestry service provider Ben Hai.

Please see www.forestfinance.de/fsc-greenacacia-vietnam for more information.

IMPORTANT NOTE: FSC and SCS Global Services are not responsible for and do not endorse any financial claims on returns on investments.

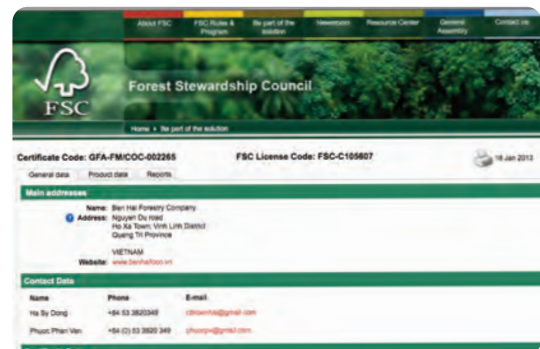
More information at www.fsc.org



Das Zeichen für verantwortungsvolle Waldwirtschaft



ForestFinance forests have been certified by the FSC certification body Rainforest Alliance until 2013 and since February 2014 by SCS Global Services.



In Vietnam, the forest areas of our forestry service provider are FSC certified: www.forestfinance.de/go/benhai-fsc



ForestFinance cocoa forests in Panama are UTZ certified since 2014. The UTZ Programm stands for a sustainable agriculture.



"Gold Standard Transition Projects" are labelled with this logo. They are managed by the Gold Standard Foundation since 2012.

UTZ Certified

At ForestFinance, we believe in fair working conditions and a direct involvement of the local population. About 150 employees are permanently employed in Panama alone, many of who belong to the indigenous Ngöbe-Buglé. We actively fight child labour. The improved working conditions are also certified by independent third parties in the frame of the UTZ Certified Program. The UTZ Program enables farmers to learn sustainable farming methods, improve working conditions and take better care of their children and their environment. This shows consumers that working condition standards according to the ILO (International Labour Organization) are met. ForestFinance cocoa forests in Panama have been UTZ certified since 2014. We also strive for a certification of our cocoa forests in Peru and already meet all requirements.

CarbonFix Standard (CFS) / Gold Standard

The Gold Standard certification is the most internationally renowned quality standard for carbon offset projects. It was developed in 2003 by several environmental organizations, meeting all requirements. Since 2006, the Gold Standard also exists in the frame of the voluntary carbon market. Gold Standard certified carbon offset projects do not only aim at the reduction of greenhouse gases, but also to support the sustainable development of the respective countries. Only projects that involve the local population in the decision making process receive the Gold Standard certificate. Moreover, the certification proves that Gold Standard projects are real additional projects that would not have happened otherwise. The goals are similar to those of the Clean Development Mechanism in the frame of the Kyoto Protocol.

CO2OL, a brand and a business sector for climate protection of the ForestFinance Group, is a pioneer and a market leader in the area of Gold Standard certified forest projects. For more than 15 years, the company headquartered in Bonn, Germany, has been managing carbon forests for numerous companies and organizations. Until 2013, CO2OL applied the strict criteria of the CarbonFix Standard to its projects in combination with additional standards such as CCB or FSC. This has made CO2OL one of the worldwide first and most important providers of high-quality carbon credits generated according to the Gold Standard criteria for land use and forest projects.

Three projects of the CO2OL portfolio are among the worldwide first Gold Standard certified carbon forest projects: "CO2OL Tropical Mix" in Panama, "ArBolivia+ – New Forests for Local Development" in Bolivia and "Soddo Community Managed Reforestation" in Ethiopia. Hence, CO2OL is able to meet different requirements regarding the project location. Apart from these Gold Standard certificates, an afforestation project in India, which is certified by the Voluntary Carbon Standard and the Climate, Community and Biodiversity Standard, is also part of the portfolio.

More informationen at www.goldstandard.org

The responsibilities for biodiversity related topics have been managed by Burkhard Gutzmann in Vietnam since 2012 and Sabine Wischnat in Latin America since 2014. In her role as our international biodiversity representative, Sabine Wischnat is also responsible for the entire corporate strategy.

Burkhard Gutzmann is our Technical Director in Vietnam and works there permanently. Burkhard forest scientist specializes in tropical forestry and has supported the further education program for sustainable forestry in Vietnam as a lecturer (read more in the progress report 2012/2013).

Forest scientist Sabine Wischnat has been our quality management representative in Latin America since 2014; this also includes the biodiversity monitoring of our forests.

To this end, Sabine Wischnat regularly conducts intern biodiversity monitoring on a smaller scale (see chapter 5.2). Being the biodiversity representative at ForestFinance, Sabine has already acquired a wealth of experience: during her studies, she focused on wildlife management. Later, she coordinated biodiversity monitoring in a private nature reserve in Panama for the NGO CREA (Conservation through Research, Education and Action).

4. Appointment of a responsible individual



Sabine Wischnat is responsible for biodiversity related topics in our Latin American partner countries, and Burkard Gutzmann is responsible in Vietnam. Photos: private

5. Defining measurable objectives

It is difficult to define measurable objectives, as species protection is always part and parcel of the ForestFinance business model; each of our projects aims at creating a sustainable mixed forest which at the same time promotes biodiversity or provides the basis for a return of species through the re-naturation of degraded areas. All of the forests are certified according to various standards such as FSC, CCBS, UTZ and Gold Standard to ensure both ecological benefits and transparency for the investors. This includes the documentation of the positive impact of the projects on biodiversity which has to be examined and verified by independent third parties on a regular basis.

In order to give our investors further information on the ecological and social benefits of the projects, we publish additional forest and project reports from the respective countries every year, presenting our activities, forestry methods and recent developments.



ForestFinance plants this native tree species in addition to numerous others in Panama. Photo: ForestFinance

In 2013 and 2014, additional biodiversity monitorings were conducted in our forests in Panama and Colombia.

5.1 Vegetation study of the University de Panamá on the finca Los Monos in Panama in March 2013

In March 2013, scientists Carolina Guerra, Leydi Frage and Yusseff Domínguez from the department of soil and water from the University de Panamá conducted a vegetation study on our finca Los Monos in the province of Chiriqui, Panama. The finca Los Monos is the oldest ForestFinance forest and meets the criteria of the World Wildlife Foundation (WWF) for being regarded as a “high conservation value forest”. In 2013, the study confirmed that the forest on the finca Los Monos is a secondary forest that is in an advanced stage of regeneration. This advanced stage results from the combination of the identified species which aid the forest’s natural regeneration. The scientists found a high volume of native tree species, some of which are endangered and provide an important basis of life for various animal species.

Among the identified plant species stated on the IUCN (International Union for Conservation of Nature and Natural Resources) “Red List of Threatened Species” are:

- *Inga hayesii* (lower risk/partially threatened)
- *Inga marginata* (lowest risk)
- *Inga mucuna* (vulnerable A1c)
- *Zanthoxylum panamense* (endangered C2a)

The ecological value of the identified species is represented by their variety in blossoms and fruits, which provide food for a wide range of insects, a variety of important bird species (including hummingbirds), bats, and various other mammals. Furthermore, legumes fix the nitrogen in the soil, making it readily available for other plants.



Many birds and other animals benefit from the blossoms and fruits of the native tree species planted by us in the ForestFinance forests.

Photo: wikipedia/snowmanradio

5.2 Internal biodiversity monitoring in Darién and Chiriquí in September 2014

In addition to the vegetation study conducted by the University de Panamá in March 2013, forest engineer Sabine Wischnat, who is also responsible for biodiversity management at ForestFinance in Latin America, has recorded her sightings of animal species in the ForestFinance forests in September 2014. The examined forests are relatively young plantations, which are located in the Panamanian provinces Darién and Chiriquí.

Sightings in Darién

- Sightings on the finca Tirao II:
Species: White-nosed coati (*Nasua Narica*)
Six specimens, including four sub-adults
- Sightings on the finca Buenos Aires:
Species: Red-throated caracara (*Ibycter america*)
Degree of danger: Red List of the IUCN, category: least concern
Three specimens
- Sightings on the finca Tirao III:
Species: Tovi parakeet (*Brotogeris jugularis*)
One nest-building couple
- Sightings on the finca Cleopatra I
Species: Geoffroy's tamarin (*Saguinus geoffroyi*)
Several specimens

Sightings in Chiriquí

- Sightings on the finca Los Aromos
Species: Wild bees (*Meliponini*)
One beehive

Riparian forests are of particular importance for the animal species *Saguinus geoffroyi* and *Nasua narica*, as they allow migration between different forest areas and offer possibilities for retreat. For this reason, the natural vegetation along the bodies of water on all fincas of ForestFinance are designated nature reserves. Existing vegetation and forest remnants are preserved.

Dead wood is important for the animal species *Ibycter america*, *Brotogeris jugularis* and *Meliponini*. The fact that ForestFinance leaves dead wood in the forest seems to have a positive impact on its biodiversity.

5.3 Biodiversity study of the WWF on the finca La Paz in Colombia

There are also biodiversity monitorings in Colombia, where ForestFinance plants acacia trees to improve the soil quality. After the harvest the acacia mangium plantations are converted into species-rich mixed forests, similar to the ForestFinance forests in Panama.

ForestFinance is supporting the WWF (World Wide Fund for Nature) biodiversity survey conducted in forest projects around the Orinoco River. The finca La Paz in Colombia was chosen as one of four project areas where the pilot project "Promoting biodiversity conservation on privately managed productive forest areas and pasture land" will be implemented.



White-nosed coatis (*Nasua narica*) live on our fincas in Panama, Darién. Photo: wikipedia/Liz Roy



In order to survive, the meliponine bee needs dead wood, which can be found in our sustainably managed forests. Photo: Wikipedia/José Reynaldo da Fonseca

The survey will be conducted by the WWF in the frame of the United Nations Development Programme (UNDP) during a period of three years. Its objectives are to examine the influence of private forest projects on the biodiversity in the region, and to determine whether the projects have a positive impact. The finca La Paz in Vichada, where the investor forests of ForestFinance are located, is part of the protection program. A total of 645 animal and plant species were recorded in this area.

Active support from our own experts

The ForestFinance forest engineer Luisa Abache was appointed as the project manager. Part of her responsibilities are the quarterly biodiversity monitorings of the areas. The UN program aims to improve the institutional and political framework to support the conservation of biodiversity on private property in Colombia. To this end, new regulations have to be implemented and adapted and institutional bodies have to be supported in their work on site. The local farmers are also involved in the process and receive support in sustainable land use management, forestry, and farming. The monitoring of the forest and pasture-land facilitates the progress reports. "We are particularly experienced in this regard and gladly assist this environmental protection programme with our expertise," says Luisa Abache.



Louisa Azabache, forest engineer at ForestFinance Colombia, collects the data for the UN study.

Photo: ForestFinance/Petra Kollmannsberger

5.3.1 Bird monitoring on the finca La Paz in the frame of the WWF biodiversity survey

The first biodiversity monitoring was conducted in March 2014. During the bird monitoring on the finca La Paz, a total of 94 bird species were identified by scientists Fiorela Delgado and Álvaro Velásquez. In addition to six migratory bird species, passing Colombia on their way south or staying there temporarily, there were also species among that are of particular significance for the conservation of biodiversity.

Five of the bird species recorded on the finca La Paz belong to the indicator species, depending on areas of high conservation value (important bird areas as stated by Birdlife International). These species have an international impact on the conservation of biodiversity:

- Neotropic cormorant (*Phalacrocorax brasilianus*)
- Little blue heron (*Egretta caerulea*)
- Buff-necked ibis (*Theristicus caudatus*)
- Turkey buzzard (*Cathartes aura*)
- Southern lapwing (*Vanellus chilensis*)



Turkey buzzards (on the left) and little blue herons live on the finca La Paza and belong to the indicator species depending on areas of high conservation value.

Photos: Wikipedia/Samuel Blanc (left), wikipedia/Peter Wallack

Since 2011, ForestFinance regularly publishes sustainability reports, which also address species protection. A small excerpt from the sustainability report 2011/2012: “ForestFinance understands sustainability as a corporate philosophy. Our effectiveness is not measured in short-term profits, but in long-term results. In terms of our afforestations, this means that we are not only interested in their productivity, but also in the possibilities created by them, supporting our further growth. Research, a consistent further development and a foresightful, sustainable management are indispensable prerequisites.”

The new sustainability report for 2011/2012 will be published in the second quarter of 2013. The last corporate social responsibility report (in German) is available at www.forestfinance.de/ueber-uns/infomaterial/

In addition, ForestFinance publishes a magazine addressing topics related to worldwide forestry, ecology and green finance for customers, business partners and other stakeholders, twice a year.

The ForestFinest issue of fall 2014 focused on the topic “bees and honey”, their protection and ecological significance, which is of particular importance for biodiversity.

You can find all past issues of ForestFinest (in German) at: www.forestfinest.de

6. Publication in the corporate social responsibility report



The sustainability report of ForestFinance is published every second year. The next issue will be published in 2015.



In 2014, the ForestFinest magazine focused on ecological forest funerals and bees.

7. Integration of suppliers



An acacia tree growing in the forests of our forestry service provider in Vietnam.

Photo: ForestFinance

ForestFinance administers the forest management at the project locations mainly with their own forest units (Peru, Panama). At other locations, ForestFinance works together with service providers who implement the forest management plan according to the specifications of ForestFinance and under strict supervising.

All ForestFinance experts at the project locations are trained in our sustainable forest management system.

At our new project location in Vietnam, we were confronted with the reality that forestry experts were not sufficiently trained in sustainable forest management techniques. The commonly known forestry practice is still the out-of-date slash-and-burn technique, which does not only deplete the soil, but also does not offer any basis for new species to establish populations. For this reason, we have taken the initiative to develop a further education program in sustainable forest management in Vietnam (we reported in progress report 2011/2012). The further education guidelines ForestFinance worked on together with SEQUA and German Federal Ministry for Economic Cooperation and Development in the frame of the project have become mandatory for the whole province of Quang Tri, as decreed by the people's committee: a benchmark in the sustainable forestry related development of the country.

Apart from that, we consider it to be of utmost importance to raise awareness for species protection among our investors. For this reason, we use various media such as our newsletter or our customer magazine ForestFinest to inform our customers on a regular basis about the topics biodiversity and ecosystem forestry. Our website includes an area dedicated to ecology which also addresses the topic biodiversity in order to explain our strategies and goals to our customers and business partners.

7.1 Cooperation with forestry service providers

Just like ForestFinance, our forest service providers pay attention not only to the (ecological) quality of the planted forests, but also to the social conditions under which our forest employees work. This is guaranteed by our own supervising forest managers, who have long-term experience and by independent third-party organizations such as the SCS Global Services, who examine and certify our forest projects on a regular basis. When required, ForestFinance organizes trainings with its own forest experts for its external workers, regarding all relevant topics and techniques from safety at work to sustainable thinning methods.

Quality, experience, and synergy effects

The decision to let parts of our forests be managed by forest service providers was made in order to benefit from synergy effects and to make growth possible. When choosing providers, criteria such as their experience with native species, social and ecological sustainability, the production of high-quality timber and the realisation of maximum yields for the forest owners play a major role. Of course, it is also of importance that the company meets the other ecological and social standards of the ForestFinance Group.

Part of the profit is directly re-invested in the improvement of infrastructure, schools and leisure facilities at the project location. Environmental education and social programs are supported as well as the on-going further education and professional development of the employees. The close cooperation with leading scientists in tropical forestry and the knowledge transfer among ForestFinance forest managers and engineers guarantee continuous technical development – which benefits our customers.



On the finca Boca del Monte in Panama, ForestFinance employees measure the areas together with the employees of our forestry service provider.



On the "Coastal Clean up Day", ForestFinance employees clean the beach of Las Lajas together with ANAM and pupils from a school in Chiriqui.

Photos: ForestFinance/Silke Berger

8. Cooperations

Science and research in the forest are of great importance to ForestFinance and an integral part of the company's structure. Therefore, ForestFinance does not only cooperate scientifically with numerous renowned institutions, but has also developed new products and technologies on its own, which make for instance, harvest and monitoring more easy. The annual investment in research amounts to approximately 25,000 to 30,000 US dollars. Amongst other institutions, ForestFinance co-operates scientifically with:

Smithsonian Tropical Research Institute, Panama:

permanent co-operation in research concerning the growth of native tree species.

Projekt Prorena/Smithsonian, Panama:

long-term monitoring of the development of native tree species

University of Panama:

student research projects, field tests

CATIE (Centro Agronómico Tropical de Investigación y Enseñanza), Costa Rica:

development of cacao plantations with a higher resistance to pests

Technical University of Munich:

master theses, optimisation of agricultural forest systems in economics and agriculture

Institute for World Forestry, Hamburg:

risk assessment for forest investments

Autonomous University of Chiriqui, Panama:

field trials

As we are a member of numerous organizations, these are only some examples of our co-operations:

Together with the Rainforest Alliance, Aliarse, CATIE, Chiquita Brands, RUTA, REWE, GIZ, Corporacion Bananera Nacional, Universidad para la Cooperación International and other organizations, ForestFinance has founded the initiative **Biodiversity Partnership Mesoamerica**. Yael Camacho, manager of the ForestFinance forestry department in Panama, is currently the vice president of the organization. Its goal is to promote biodiversity projects in Central America. Its members are going to initiate, develop, and fund projects in the region. In addition, the partnership will serve as a networking platform for all private, non-profit, and scientific institutions that are committed to species protection. These institutions and other members of the initiative will start at least three projects every year, focusing in particular on agro forestry, climate protection and the conservation of forest reserves for species protection.



Yael Camacho, manager of the ForestFinance forestry department in Panama, during the inauguration of the nature trail in Panama. She is vice president of the Biodiversity Partnership Mesoamerica.

ForestFinance is member of the **Ciudad del Saber**, a non-profit foundation domiciled in Panama. The name of the foundation can be translated as "City of Knowledge." Since 1995, the Ciudad del Saber offers a platform for a variety of projects, companies and their ideas, in order to support collaboration and progress and in particular concepts that represent sustainability, innovation and ecology. The foundation focuses on topics related to information technologies, biosciences, environmental management, and human development and cooperates with companies on the basis of sustainable management strategies.



B.A.U.M. e. V. (German Environmental Management Association) was founded in 1984 as a non-party environmental initiative. All members lead their company according to the B.A.U.M. code of honour which contains ten guidelines of behaviour.



B.A.U.M. e.V. is convinced that the public goods, water, air and earth, as well as flora and fauna should be treated with care and that this has to be ensured using the instruments of a market economy. The first article of the code of honour says: "Environmental protection is one of our prior business objectives. We include it into our principles of management."

ForestFinance is a member of B.A.U.M. e.V. since October 2008. In particular, we would like to highlight our cooperation with B.A.U.M. e.V. in the scope of the project "Wild Beech" (see our progress report 2011/2012).

With the **NGO Earth Train**, ForestFinance has found the perfect partner to achieve its goals regarding environmental education and protection in Panama. Earth Train is dedicated to the promotion of biological and cultural diversity with a focus on promoting young people who are willing to become messengers for this endeavor. The cooperation between ForestFinance and Earth Train in Panama has existed for four years and lies on two pillars, both connected to environmental protection. One aspect of the cooperation are the events organized by the environmental education program of the Jane Goodall Institute (JGI). The second aspect is the mutual work in the Mamoní Valley Preserve since 2013, a project which is not only of great importance for biodiversity, but also for the water protection of a whole region (read more in chapter 8.1).





Nature reserve zones such as this river area are part of the Mamoni Valley.

Photo: Andres Espinosa/ForestFinance



The recently planted seedlings are still small, but rapidly growing in the tropic climate.

Photo: Laura Schulte/ForestFinance

8.1 ForestFinance and Earth Train protect important biodiversity hotspots in Panama

Very few countries boast such biodiversity as the rain forests of Panama. As a result of joining North and South America, the country not only serves as a bridge between Costa Rica and Columbia, but has also allowed animal species to migrate between continents for hundreds of years. Today, it is home to several endangered plant and animal species on the “Red List”, which can only be seen by those who are skilled and patient.

This broad range of biodiversity also applies to the Mamoni Valley forests in Panama. These forests provide habitats for endangered animal species such as jaguars, tapirs, toucans and harpies. In addition, they protect a crucial drinking water source for the rapidly developing province of Panamá. The upper Rio Mamoni watershed, with a length of nearly 20 kilometres, covers an area of 60 square kilometres, and is situated a mere 40 kilometres from Panama City, at the Southeast border of the Guna Yala. This natural treasure suffered from the destruction of the primary forest and soil degradation due to illegal forest depletion and slash-and-burn agriculture.

In 2004, the NGO Earth Train and Rainforest Capital created the nature preserve, Mamoni Valley, to counteract these negative developments and started with the reforestation of native tree species in 2007. In 2013, ForestFinance joined the team, taking on the responsibility of forest management and reforestation of the nature preserve. Among others, the FAMAB foundation acquired 100,000 square meters of forest area in the valley and asked ForestFinance to care for the entire reforestation process, including forest management. The newly planted and sustainably managed mixed forests benefit the local population as well as the environment, by supporting economic progress and protecting the living space of numerous plant and animal species, simultaneously.

The goal of the Mamoni Valley Preserve is the recultivation of the valley and the integration of the neighbouring species-rich areas. However, the project does not only benefit nature, but also the 300 to 400 people living in the valley. Twelve new employees from the region have been employed thus far, four of which have their roots in the indigenous Guna Yala area, near the valley.

Apart from the reforestation of areas in the Mamoni Valley, ForestFinance provides sustainably certified timber from its own mixed forests in Boca del Monte and Las Lajas, Panama, for the construction of buildings on-site. The timber is cut and finished in the new wood processing centre of ForestFinance, before being transported to the valley, where it has been used for building shelters, a small shop, storage rooms, and a common dining room for the workers, engineers and visitors. Teak is used for frameworks and primary structures, while the native tree species Amarillo and Zapatero are used for wall panelling.

Please click on the following link if you would like to learn more about the Mamoni Valley Preserve:

www.earthtrain.org/en/about-us/campuses/mamoni-valley-preserve

8.2 A unique forest cemetery: ForestFinance and the municipality of Hümmele create tomorrow's primeval forest

Primeval forests are rare and endangered, even in Germany. ForestFinance is involved in their conservation in an unusual way: together with the municipality of Hümmele, the company has managed a one-of-a-kind forest cemetery, established in November 2013. It is located in one of the last German beech forests on primeval forest soil. Every leased FinalForest grove helps to ensure the conservation of this natural heritage for another 99 years. At the same time, the leaseholders obtain the right to be buried there.

The FinalForest In Pitscheid (Eifel) is an ecosystem that has grown mostly without human intervention over the course of four thousand years. Its soil in particular hosts a great variety of species. Funerals are conducted very cautiously, in order to conserve the forest in its original beauty, which is of great concern to ForestFinance. This also means the graves can only be found by the use of invisible locators. The leaseholders receive the location of the grave as GPS coordinates. If desired, a single, plain gravestone may be placed on top. Made from regional stones with a standardized design for the whole FinalForest area, the gravestone becomes a natural element of the forest.

Each FinalForest grove covers an area of 100 square metres. For reference: a conventional forest grave is usually restricted to the space needed for burying the urn. Every grove has enough space for ten urns, however, only the leaseholder decides who will rest there. Only organic urns are used, which do not contaminate the soil with harmful substances. FinalForest graves are simple, elegant, and entirely worry-free: the forest provides for a rich natural decoration.

Read more at www.finalforest.de



Ancient beech trees in the FinalForest: preserving them is the goal of the forest cemetery project of ForestFinance.

Photo: screenshot from the film at www.finalforest.de



*The Forest Finance Service GmbH was the first company to be awarded with the **FSC Global Partner Award**, company "Financial Services" in 2010.*

ForestFinance

Building Forests.

Contact (Germany):

Forest Finance Service GmbH

Eifelstr. 20 · 53119 Bonn

Your contact: Kristin Steffan

Editorial responsibility:

Forest Finance Service GmbH

Eifelstr. 20 · 53119 Bonn

CEOs: Harry Assenmacher, Christiane Pindur, Dirk Walterspacher ·

Telefon: +49(0)228 94 37 78-0

Telefax: +49(0)228 94 37 78-20 · E-mail: info@forestfinance.de

Register court: HRB 13610, court of first instance: Bonn