Investing in ecological cocoa cultivation

Harvest fine cocoa and protect rainforest

PureCocoa

Early revenues possible from the sale of fine cocoa

Would you like to know how the anteater is related to our cocoa? Have a look on page 9.
Marisol Najarro has been responsible for the cocoa project in Peru since 2012. She looks after the trees, fruits and harvests. Freshly harvested cocoa fruits are ready for processing. In the ForestFinance cocoa forests, we grow yellow, orange and red fruits. In spite of their different colours, all of them are rare fine cocoa varieties increasingly in demand.

We make cocoa and forests – join us!

The brown gold was already known in Middle and South America 3,500 years ago. The Olmecs, Maya and Aztecs extracted the seeds from the fruits of the cocoa tree and produced a bitter drink from it. They drank it in honour of their gods and only on special occasions. The Olmecs gave it a name still in use: Kakawa.

The Europeans discovered their passion for chocolate much later than the American advanced civilisations. It was not until honey and cane sugar were added that hot chocolate rose to prominence throughout Europe. In the 18th century, chocolate was regarded as the unmistakable and delicious status symbol of the rich and the beautiful all over Europe. It was expensive and considered to be strengthening and sometimes even an aphrodisiac.

Investing in PureCocoa means both investing in an agroforestry system for producing cocoa in Peru and protecting a particularly valuable tropical rainforest in Panama.

In Peru, we plant cocoa and shading trees for you allowing the fine cocoa to soundly grow in a protected and natural environment. After the first cocoa harvests you will receive payouts from the sale of the fine cocoa.

We make cocoa and forests – join us!

In our cocoa forests, high-quality fine cocoa varieties are cultivated and harvested while adhering to the highest social standards – guaranteed to be free of child labour!

By fostering an ecologically and socially sustainable economy, we enable our employees to benefit from safe work places and an environment free of agrochemicals and genetic modification. Read more on pages 8 to 9.

The rainforest in Panama is among the primary forests in Latin America that have become rare. Would you like to know why it should be protected? Continue reading on page 10.

Today, sustainably produced fine cocoa is particularly valuable and fetches higher prices on the market than bulk cocoa.

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Content

We make cocoa and forests – join us 2
Peru – an ideal location for fine cocoa 3
Our offer at a glance 4
Yield development model and forecasts for one hectare of PureCocoa 5
Risks – in all frankness 6
Economic, ecological and social sustainability 8
Our concept – your benefit 9
The protective forest in Panama – a rare biological hotspot 10
A long and productive cooperation in Latin America 11
Legal information – Contact us 12
Peru – an ideal location for fine cocoa

Only few countries are recognised as valid producers of fine cocoa by the International Cocoa Organization (ICCO). For many years, Peru has been one of these countries. However, the ICCO does not lay down any universal criteria which specifically define cocoa as fine cocoa. Nonetheless, the most relevant characteristics of fine cocoa are the genetic origin of seeds, the morphological properties of the plant as well as chemical properties of the cocoa beans and differences in colour. Above all, the difference between fine cocoa and bulk cocoa lies in the taste and quality.

The share of fine cocoa in the global cocoa trade is only approximately five percent. Consequently, the fine beans are in high demand and expensive.

The market value for our sustainably produced cocoa is, when compared to the prices of conventional bulk cocoa, much higher and consistently stable. It is not represented by the international cocoa price index. Currently, a surplus of approximately 15 percent is paid for premium cocoa. For rare, special varieties and certified cocoa, the price is even higher.

The ICCO publishes the names of the fine cocoa production countries on a regular basis. Currently there are 24 countries recognised as producers of fine cocoa. Peru has been among them for decades; Panama was a newcomer in 2016. The recognition of Panama as a fine cocoa exporting country is mainly an achievement of ForestFinance.

The region San Martín, where the ForestFinance cocoa plantations are located, provides ideal conditions for cocoa trees, including nutrient-rich river valleys and relatively low rainfalls. The deep, fertile soils are important for healthy and highly productive cocoa plantations. The low humidity protects the trees from aggressive fungal diseases that pose the greatest threat to cocoa plantations worldwide.

Cocoa has been cultivated in Peru for thousands of years. All of our employees rely on experience and traditions benefiting the cultivation of fine cocoa.
Our offer at a glance

Investing in PureCocoa means investing in the afforestation of sustainably managed cocoa fincas, which allows you to achieve regular returns from the production of high-quality and ecologically produced fine cocoa. With the other part of your investment you protect rainforest.

PureCocoa: investment overview

<table>
<thead>
<tr>
<th>Contract term</th>
<th>Investment</th>
<th>Returns</th>
<th>Payouts</th>
<th>Forestry concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>approx. 25 years</td>
<td>from € 3,250 (0.1 ha)</td>
<td>approx. 6 % IRR* (normal development)</td>
<td>annually from year 6 on possible, depending on growth. Time of payment may differ from time of harvest</td>
<td>80 % fine cocoa, sustainably managed forests in Peru; 20 % protection of primary forest in Panama for 50 years</td>
</tr>
<tr>
<td>€ 31,000 (1 ha)</td>
<td></td>
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* IRR (Internal Rate of Return) is a method of dynamic investment calculation which is used to calculate the average annual return.

PureCocoa consists of two independent contracts: a property lease contract and a forestry service contract. You can choose the size of the property in 0.1-hectare-steps starting at 0.1 hectare cocoa forest.

You invest in a mixed agroforest that is afforested with cocoa trees for the production of high-quality, ecologically produced fine cocoa in Peru and at the same time in the protection of rainforest in Panama.

It is up to the agroforestry manager to decide on the economically best time for the cocoa harvest (see page 5).

Rising demand for sustainably produced cocoa

According to a survey among the big chocolate producers such as Mondelez, Nestle, Mars, Hershey’s, Ferrero and Lindt & Sprüngli, all of them are going to shift to sustainably produced cocoa in the near future. Most of them rely on a certification by a standard setting organisation such as UTZ or Fairtrade. Only a few such as Lindt and Mondelez rely on verification through company-owned projects.

(Source: KakaoBarometer 2015)
Yield development model and forecasts for one hectare of PureCocoa

Your investment in PureCocoa covers the establishment of the plantation during the first five years. From year six on, regular harvests take place. It is up to the agroforestry manager to determine the best harvest period. The generated proceeds cover the ongoing costs of the finca. These costs have already been considered in the return calculations. Your proceeds from the sale of cocoa are paid out annually. The charts below depict possible returns in the case of a good, normal or bad investment development. One hectare of PureCocoa consists of 0.8 hectare of cocoa area in Peru and 0.2 hectare of protective forest in Panama. The return information is based on a hectare price of € 31,000.

**Investing in PureCocoa** means investing in a natural raw material. Thus, the success depends on natural factors such as the climate, soil, etc., which have an influence on the cocoa quantity and quality as well as on proceeds from sales that can be achieved on the market. Every change of one of the calculation parameters (such as harvest yield, quality and price) has an influence on the total result. We speak of a good development, if we can harvest much cocoa of high quality after a very good growth period for a very good price. A bad development results from a long period of growth with low-quality cocoa and very bad market prices. Bad harvests or – although this is very unlikely – the loss of a whole cocoa finca are also possible. Such an event could even lead to a total loss of the invested capital.

As all good or all bad factors almost never occur at once in nature, we consider a mixture of good and not so good events, the normal development, to be the most realistic expectation.

The returns that we generate from the sale of cocoa determine the amounts of payouts and are influenced by the quantity, quality and market price of the cocoa. Our calculations are based on our long-term experience, on current price developments and safety margins and represent an average forecast.

Please note: our yield and return forecasts are regularly adjusted to current market developments. For this reason, you may find different return forecasts for apparently similar products in our information material. These changes are always adjustments to current market developments or meant to improve transparency and better inform our customers. For this reason, you may find deviating calculations and return forecasts in different publications. All of our calculations in this brochure are based on a euro exchange rate of 1.10 US dollars.

* IRR (Internal Rate of Return) is a method of dynamic investment calculation which is used to calculate the average annual return.
**Risks – in all frankness**

PureCocoa is a direct investment in the raw material cocoa. The economic result is not certain yet and can only be forecast. There are no guarantees for those forecasts.

An investment in PureCocoa is no deposit banking. This means there is no deposit insurance like there is for bank deposits. Therefore, this direct investment is linked to significant risks and can even lead to the total loss of the invested capital. Every person interested should consider this aspect in the process of decision-making.

At the ForestFinance Group, we respond to those risks with our long-term experience and numerous successes as a provider of forest investments: our forests are partly more than 20 years old and with over 18,000 customers, we are among the leading providers of direct forest investments in the EU. We have repeatedly distributed returns to our customers gained from harvesting timber, cocoa and seed material in our forests.

<table>
<thead>
<tr>
<th>Risks</th>
<th>Safety measures</th>
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<tbody>
<tr>
<td>Firstly, there are natural risks such as natural disasters, fire and pests, which have a significant influence on proceeds from sales due to their impact on the harvest quantity and quality of the cocoa. Please see next page for a risk analysis.</td>
<td>We rely on efficient measures that have proven themselves for around ten years.</td>
</tr>
<tr>
<td>There is no trading market comparable to the securities market (restricted fungibility). Thus, a premature, individual sale of the investment is not guaranteed and could be linked to significant financial losses.</td>
<td>We help investors and work together towards the best possible solution.</td>
</tr>
<tr>
<td>The financial situation of ForestFinance could influence the capability of ForestFinance to deliver the forestry service and management as agreed upon in the contract during the contract term, which could impact the harvest quantity and quality.</td>
<td>We have proven our efficiency in the course of over two decades. The business reports with audited balance sheets are published annually.</td>
</tr>
<tr>
<td>Currency fluctuations could have an impact on the payout of harvest returns.</td>
<td>You are investing in the real asset cocoa. For the most part, its value is independent from worldwide exchange rates.</td>
</tr>
<tr>
<td>Possible political distortions in Latin America should be mentioned as well. It can not be ruled out that such developments could complicate or even prevent the access to the cocoa fincas and their management.</td>
<td>We closely observe the developments in Latin America and area and are able to react to them together with our long-term partners on site.</td>
</tr>
</tbody>
</table>

**Trust through transparency:**

At www.forestfinance.com, you will find information on our work and the quality management as well as up-to-date reports. We annually publish business reports including information on the situation and the corresponding evaluation, outlooks and goals as well as the financial statement of ForestFinance. In our activity and forestry reports, you can inform yourself about the corporate environmental footprint or the developments and activities on your forest areas. We always provide the newest figures and data of your forest for you in our customer area.
Risks that are, in the opinion of the agroforestry manager, linked to the investment, are classified in the following scheme under the aspects risk identification, probability of occurrence, extent of damage and risk management. Each risk is attributed with the risk classes high, average or low. These are the risks that are, according to the forestry manager, most likely. Even if the forestry manager has taken all measures to ensure the economic success of the investment, damages that could lead to a total loss of the investment cannot be ruled out entirely.

<table>
<thead>
<tr>
<th>Risk identification</th>
<th>Unusual weather events</th>
<th>Fire</th>
<th>Diseases and pests</th>
<th>Cocoa price</th>
<th>Mismanagement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wind breakage due to storms and heavy thunderstorms, tree damages due to flooding after heavy rainfalls, harvest losses due to droughts</td>
<td>Forest fire during dry season, due to slash-and-burn practice on neighbouring fields etc.</td>
<td>Fungal diseases such as Witches’ Broom Disease (Moniliophtora perniciosa), Monilia (Moniliophtora roerii) and black pod rot (Phytophtora spec.), pests such as cocoa mirds (e.g. Sahlbergella singularis), butterflies (e.g. Carmenta forasemini), termites or leaf-cutting ants</td>
<td>Strong fluctuation</td>
<td>Flaws in the agroforest management</td>
</tr>
<tr>
<td>Probability of occurrence</td>
<td>Low for big damage; however, smaller damages due to wind breakage are more common</td>
<td>Low; dry season lasts only three weeks, neighbours supervise their forestry methods on a mutual basis and can be held responsible for damages</td>
<td>Low for strong infestation in case suitable locations, resilient cocoa varieties and sound planting systems have been selected and a monitoring keeps pests and diseases below an economically significant level</td>
<td>High; the stock market price for bulk cocoa is fluctuating due to individual events in important cultivation countries and speculating</td>
<td>Low; the staff working on the fincas is qualified and has much experience in cultivating cocoa</td>
</tr>
<tr>
<td>Extent of damage</td>
<td>Differs according to extent of the respective weather event</td>
<td>Average to low, since there is no real drought in general and measures against fire are taken immediately</td>
<td>High in the case of inadequate plantation management</td>
<td>Average; ForestFinance produces fine cocoa, the price of which contrary to bulk cocoa does not completely depend on stock market developments</td>
<td>High; flaws or lacking knowledge of the forest manager could have an impact on the production</td>
</tr>
<tr>
<td>Risk management</td>
<td>Establishment of the fincas in regions where extreme weather events are rather rare; planting of hedges as wind shields on the edges of the cocoa areas, use of storm resilient shading trees, construction of drainage canals</td>
<td>Permanent fire monitoring on site by our employees; the cocoa farming neighbours watch out for each other’s cocoa areas in the region</td>
<td>Regular control by qualified employees, mechanical removal of infested fruits and plant parts, use of mostly organic pesticides in rare cases</td>
<td>The sale is mostly regulated by contracts with chocolate producers with negotiated prices that are stable in the long term and independent from the stock market</td>
<td>The ForestFinance cocoa fincas in Peru are considered to be model fincas in the region; ForestFinance manages the first big cocoa finca with fine cocoa clones as a pioneer</td>
</tr>
</tbody>
</table>
Economic, ecological an social sustainability

**Economic:**
We believe in values. This includes values that mean a fair profit for the investor. All “stakeholders” shall receive their part of the natural added value: the investor, the people on site, the agroforestry manager, nature. We do not aim to achieve maximum short-term profits. Instead, we prefer sound middle and long-term returns gained from natural real assets.

**Social:**
We put the people at the heart of our activities. We know that safety and success are only possible in the long run if we integrate and motivate the people on site to protect the newly created forests. We plan and develop for the next 50 years and for future generations.

**Ecological:**
Our cocoa does not grow in a plantation, but in a forest. Thriving in the shade and protection of other trees, the cocoa benefits from this concept—and so does nature: the various plants provide precious living space for many animals.

This is our understanding of „social forestry“ and the „social impact“ of our activities:
No discrimination of gender, belief, race, religion, sexual orientation or other criteria; literacy courses for our employees; micro credits for family members of our forest workers; long-term safety and improvement of living conditions; wages and social benefits above the local standard; creation of qualified jobs; further education possibilities on site at cocoa post harvest facilities; further education by means of courses in agroforestry and working safety.

International standards – what does it mean?

We stick to our word – verified and certified by third parties. Thus, the Forest Finance Service GmbH has been certified under DIN EN ISO 9001:2008 since 2016, ensuring the ongoing control and optimisation of all structures and processes in the company. At the cocoa fincas in Peru, we adhere to the guidelines of sustainable forestry. This convinced the Medieninstitut der Länder (Media Institute of the Federal States of Germany) to film our fincas as a role model for ecological and fair businesses.

This means:
» Maintaining the rights of indigenous peoples
» The cocoa forest management will preserve or enhance the social and economic welfare of the ForestFinance employees and the local population in the long run
» Economic efficiency and product variety
» Conservation of biodiversity, protective functions of the forests and landscape
Our concept – your benefit

**Stability**
- cocoa prices tendentially increasing for years in spite of volatility, with rising demand
- proven forestry and cocoa cultivation concept with more than 20 years of experience in forestry and almost ten in agroforestry
- German-Peruvian Investment Protection Agreement

**Quality**
- high-quality fine cocoa from a region with centuries-old cocoa tradition
- cooperation with renowned cocoa experts with long-term experience
- first cocoa harvests already marketed and revenues paid out to customers

**Ecology**
- more biodiversity through the creation of new habitats for a variety of plants and animals
- mixed forest concept, no monocultures
- water storage and restoration of filtering functions, positive impact on local and global climate

**Social benefits**
- creation of permanent jobs in rural areas of Panama and Peru
- training and qualification of employees at a high level, thereby improvement of living conditions
- fair payment and social benefits

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**The Giant Anteater (Myrmecophaga tridactyla)** is an endangered species and probably already extinct in parts of Argentina and Brazil. In Peru, the animals are becoming increasingly rare. Our biodiverse cocoa forests provide them with protected habitats and sufficient food. Your investment in PureCocoa does not only benefit this extraordinary animal species but also those animals living in the protected forest area as well as many other species. One quarter of the total area managed by ForestFinance was classified as a conservation area. Studies and monitoring have shown that these protected areas are home to 15 endangered animal species, five endangered tree species and over 100 rare bird species. For more information please visit our media library at [www.forestfinance.de/en/media-library](http://www.forestfinance.de/en/media-library) where you will find our biodiversity reports that are published annually.

**Photo:** Shutterstock.com
The protective forest in Panama – a rare biological hotspot

What makes PureCocoa unique is the fact that your investment protects a precious primary forest in the province Bocas del Toro in Panama, including ancient trees, rare and partly endangered plants and animals.

Panamanian rainforests are considered to be particularly rich of species and, unfortunately, in danger. This danger is caused by mankind, building evermore villages and exploiting natural resources. When being asked about the reason for the extraordinary biodiversity, biologists point to the geographical location of the narrow country that is situated between two oceans providing salty sea air. Together with the fresh breeze, many sea crystals are released into the atmosphere, resulting in rain water that is rich of minerals. This is a blessing for animals, as salts are essential for their vital functions.

However, the flora of Panama is uniquely diverse, too, particularly when it comes to old primary forests with connected treetops! They are home to numerous plants specialised in filtering water from the air. This benefits lots of animals such as insects but also coatis, frogs or birds that drink the water collected by the funnel-shaped leaves. An estimated 30 million animal species lives in rainforests with sound tree crowns.

Without the old treetops and their dense canopies of leaves, the species living on the ground amount to only 2.5 million, according to scientists. This means treetops in tropical forests are a real natural treasure.

One of the species in particular need of protection is Zamia skinneri. This plant has shining, apple-green leaves and is a rarity in many ways. Zamia is a genus of cycad, an order that has existed since the Early Permian Epoch, but is now almost extinct. Zamia plants can grow an impressive 2.4 metres in height. The plant is endemic to the province of Bocas del Toro; growing only in this particular region, and even small losses in surrounding habitat can threaten it. Consequently, Zamia is included in the Convention on International Trade in Endangered Species list.

With PureCocoa, you enable the protection of rare plants and animals in a region that is considered a biological hotspot. Apart from your investment payouts, you will receive a certificate designating you as an active rainforest conservationist.
A long and productive cooperation in Latin America

We at ForestFinance have bought and leased areas in Panama for more than 20 years, planting trees, taking the weakest of them from the forests and leaving as many as possible, allowing a sound, near-natural mixed forest to grow. We are building forests. And we protect forests: about one quarter of the ForestFinance areas in Panama are pure nature reserves. In Peru, we have been building forests since 2012, namely a very special kind: a cocoa forest! We integrate various plants in our plantations in order to create a diverse flora and fauna.

Acting most carefully when choosing areas and suitable trees, we are equally thoughtful when it comes to our employees. We insure our forest workers against accidents, make vaccination appointments, organise celebrations and opportunities to talk with the management for all employees. Due to our commitment, the number of ForestFinance employees who say that they are very satisfied with their work for the company is above average in our regular employee surveys. This applies for Panama as well as for Peru and Germany.

The cooperation between our employees is quite excellent. The cocoa farmers from Peru rely on their traditional knowledge while benefitting from the experience of their colleagues in Panama, where ForestFinance has been cultivating cocoa since 2008 and successfully producing chocolate from it. The cocoa processing facility that we have constructed in Panama and which is considered to be an example of best ecological and economic practice serves as a model for the colleagues in Peru. They adjust it to the conditions in South America, achieving remarkable successes in the processing of fine cocoa. Tradition and cooperation work beyond national and continental borders.

Employee surveys by ForestFinance show that employees identify themselves with the company’s goals and are very happy with their work.
The Forest Finance Service GmbH was the first German company worldwide to receive the FSC Global Partner Award in the category “Financial Services.”

The Forest Finance Service GmbH is certified under DIN EN 9001:2008, guaranteeing the constant control and optimisation of all structures, procedures and processes in the company.

In 2015, we became the first German company of the environmental investment sector to be honoured as a GREEN BRAND for our long-term commitment to environmental, climate and species protection.

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