

**INDEPENDENT AUDITORS' REPORT ON THE DEMONSTRATION OF
ACCOUNTABILITY OF TROPICAL FOREST CONSERVATION ACT ("TFCA
AGREEMENT") RESOURCES MANAGED BY BRAZILIAN FUND FOR
BIODIVERSITY - FUNBIO**

BRAZILIAN FUND FOR BIODIVERSITY – FUNBIO

PERIOD FROM JANUARY 1st TO DECEMBER 31st, 2013



Summary

I - Executive Summary 3

II - Objectives of Audit 4

III - Scope of Audit 5

IV - Results of Audit 8

Audit report on the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") 10

Demonstration of accountability resources of Tropical Forest Conservation Act ("TFCA Agreement") 11

Explanatory notes on the Demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") 12

Review report on compliance with standards, laws and regulations 14

Review report on internal controls 15

I. Executive Summary

TFCA Agreement - Tropical Forest Conservation Act

FUNBIO is the executive secretary of the TFCA Account, which receives funds from the bilateral agreement between Brazil and the United States to areas with remnants of the Atlantic Forest, Cerrado and Caatinga biomes. This agreement is governed by the Tropical Forest Conservation Act (TFCA), which aims at the exchange of debts of countries from the United States of America for investment in conservation and sustainable use of forests. The total debt exchange was USD\$ 20.8 million.

In early 2012, has begun the implementation of 46 projects approved in the first notice (01/2011). About 80 representatives participated in a training workshop for leveling of information and training of operational rules and tools of TFCA, held in Brasilia in April 2012.

During 2012, we released four calls for projects, two in April and two in August. The Call 02/2012, released in April and rereleased later in August, comprising R\$ 5.5 million, has selected 7 (seven) projects, totaling R\$ 2.5 million, aimed at strengthening NGO networks in the three biomes in order to strengthen civil society, synergies and exchanges of information among environmental groups therein.

The call 03/2012, released in April with the initial value of R\$ 3.3 million, other selected 7 (seven) projects, totaling R\$ 2.7 million, meant for training organizations to mobilize financial resources.

The call 04/2012, which included the same priority themes of the first call, was released in August. Initially providing R\$ 7 million, has selected 18 (eighteen) projects, totaling R\$ 7.5 million.

In summary, during 2013 the TFCA Account received installments of R\$ 9.2 million and executed disbursements of R\$ 10.3 million, with an available balance at the end of the period in the amount of R\$ 17.3 million. The main activities to be deployed under the program were: the hiring of 18 (eighteen) projects of the call 04/2012 and the initial release of the funds, the continuity of monitoring activities of all calls in selected projects, evaluation of technical and financial reports as well as the validation of the benefits of accounts and release of funds for disbursement to institutions.

Introduction - About Funbio

"The mission of FUNBIO is provide strategic resources for biodiversity conservation."

FUNBIO - Brazilian Fund for Biodiversity is a nonprofit civil association, with the title of Civil Society Organization of Public Interest - OSCIP. FUNBIO has its origin in international agreements resulting from Rio 92, the Convention on Biological Diversity (CBD). In almost 18 years since its founding, FUNBIO established itself as the leading institution promoting partnerships between the public and private sectors in order to meet the objectives of the CBD.

Consisting initially from a donation of USD\$ 20 million from the Fund for the Global Environment Facility (GEF), FUNBIO since the beginning of its operation leveraged contracts totaling the approximate amount of USD\$ 410 million invested in 181 projects and 195 protected areas supported.

Currently FUNBIO performs the management of assets in the amount of R\$ 353 million (2012: R\$ 323 million), of which R\$ 175 million (2012: R\$ 159 million) in long-term funds of the "endowment" and R\$ 178 million (2012: R\$ 150 million) in funds intended for the ongoing projects with partners and beneficiaries. The Bank also has a fund for own resources on the current amount of R\$ 14.5 million (2012: R\$ 14.1 million), which aims to ensure its financial sustainability.

In 2013, FUNBIO expanded its initiatives, as well as the number of contracts under management. The result was an 18% increase in the executed amount of projects, reaching the figure of R\$ 58.3 million. Of these, R\$ 38.9 million were run directly and R\$ 19.4 million executed by FUNBIO through disbursements to other organizations.

In the same period the institution operating expense rose 18%, reaching the figure of 11.1 million, an increase of Investment with control over the budget approved by the trustees and ability to conducting a team whose

commitment to the brand the goals and mission of the organization. This result of FUNBIO team, share with our donors and partners, which has ensured the support we need.

By the ability to develop projects and manage assets, FUNBIO is increasingly sought by the private sector for the development of conservation strategies. Its activities are in line with the strategic vision of leading companies and institutions that seek to preserve the environment without loss of financial profitability with conservation processes in many different production scenarios.

FUNBIO Governance is captained by the Deliberative Council (CD), composed of representatives of business, environmental, governmental and academic sectors, a total of 16 councilors being 4 of each segment. The CD is responsible for the establishment of a general policy and setting goals and priorities for the Fund, which are converted into shares by its Executive Secretariat. This group approves the annual operating plans, policies and investment projects developed. The Councilors participate voluntarily contributing their experiences and knowledge. The Advisory Board is organized into committees that deal with specific issues such as the Executive, Technical Projects, Finance and Audit and Asset Management Committees. Ex-Directors and invited leaders integrate the Advisory Board of the Fund, which operates in the technical advice of the institution, meeting once a year and the possibility of integrating technical committees with operations throughout the year.

Finally, FUNBIO is guided by core values: Transparency, Ethics, Effectiveness, Responsiveness, Innovation and Intellectual Independence in all levels of expertise.

II. Objectives of Audit

Objectives:

Our services were performed in order to audit the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") managed by the Brazilian Biodiversity Fund - FUNBIO relating to "Technical Cooperation Agreement - FUNBIO" as determined by the SDP Invitation Letter 001/2012, issued on October 23rd, 2012 at FUNBIO.

The audit was conducted on the expenses incurred for activities performed by FUNBIO the period between January 1 to December 31, 2013, under the project "Tropical Forest Conservation Act - TFCA," and was conducted in order to meet the governmental auditing standards generally accepted in the United States of America (USGAGAS), which are issued by the "United States government Accountability Office" and are presented in the 4th chapter of the "GAO's Yellow book", effective for audit work and assurance for closed period on December 15, 2012 or later.

The specific objectives of the audit of project funds are:

- Conclude if the demonstration of accountability of the Tropical Forest Resources Conservation Act ("TFCA Agreement") presents fairly, in all material respects, the revenues, costs and commodities (goods for use and consumption), relating to the period audited in accordance with the terms of agreements with the comprehensive and generally accepted accounting principles or other accounting basis (including the cash basis and its modifications).
- Evaluate the effectiveness of internal controls on the FUNBIO relating to projects approved in bidding, estimating the risk control and identify significant deficiencies and material weaknesses.
- Perform assessments to determine whether FUNBIO complies, in all material respects with the terms of the agreement and in relation to the laws and regulations governing the programs with resources with the nature of TFCA.
- Conduct an audit of overhead rates, if FUNBIO is authorized to charge indirect costs to the account of the TFCA using contingency fees (provisional) and this has not yet negotiated the definitive rates with FUNBIO.

III. Scope of Audit

We have performed the following procedures as a basis for the development of our programs and our audit review. They were not considered in full, or restrictive in nature and are not a substitute for the exert the function, professional care and judgment.

A. Procedures for pre-audit:

1. We have performed an examination of the documents necessary for the implementation of audit:
 - (a) "TFCA Agreement"
 - (b) Contracts and subcontracting performed with other partner organizations, regarding disbursements to projects approved under the edicts.
 - (c) Budgets, terms of implementation and procedures drafted and approved by the Committee of the TFCA Program.
 - (d) OMB Circular A-122 - "Cost Principles for Nonprofit Organizations".
 - (e) All financial reports and periodic reports; charts of accounts and organizational plans; descriptions of accounting systems; policies and procedures for acquisitions; and receipts, procedures for storage and distribution of materials when necessary for full implementation of services demanded.

B. Demonstration of accountability of resources of Tropical Forest Conservation Act ("TFCA Agreement")

Audited the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") and the "Technical Cooperation Agreement - FUNBIO", including the amounts budgeted by category and key items; revenues received in the bank account TFCA for the period covered by the audit and disbursements and costs declared by FUNBIO incurred during the period from January 1st to December 31st, 2013.

Our audit testing of financial transactions that occurred for the period January 1st to December 31st, 2013 and included the following:

1. We confirm the direct costs (disbursements to projects and expenditure management), identifying and quantifying questionable costs. All costs that are not supported with adequate documentation or not they are in accordance with the terms of the contract were questioned and reported.
2. We have audited the balance sheets and management reports to determine whether the costs incurred were properly registered. Check if there was reconciliation of the direct cost shown with general statements and management reports.
3. We have audited the internal control procedures used to manage the funds received in the TFCA account. We also evaluate the bank accounts and the controls on these accounts. We conducted confirmation of bank balances.
4. We have audited the financial advances and documents that support such transactions in order to ensure that all monies received in the TFCA has been properly recorded in the accounting records of FUNBIO and that these records were properly reconciled.
5. We confirm that the amounts received in relation to the program were used for eligible expenditures in accordance with program objectives or deducted from the cost of the program, according to the regulations, terms and conditions of contract.
6. We evaluate the processes and internal controls related to the flow of purchases to determine if commercial competitive practices, reasonable prices and quality were used, and the controls on the amounts received and completed services rendered are appropriate.

7. Direct salary costs were reviewed to determine if wage rates are in accordance with rates approved by the TFCA bill Committee, where applicable, and are adequately supported by payroll records. We analyzed whether the overtime, allowances and benefits of the program were charged in accordance with the cooperation agreement, applicable laws and regulations.
8. We have examined the costs of travel and transport to determine whether these were properly approved and are adequately supported.
9. We evaluate the processes and internal controls related to the flow of fixed aiming to secure control of commodities (goods for use and consumption) acquired by FUNBIO and if such goods were used for specific purposes in accordance with the terms of the cooperation agreement assets.
10. We evaluated the contracts of service, signed by FUNBIO for use in the program in order to confirm they have been used for the purposes specified pursuant to the cooperation agreement.

C. Contributions To Counterpart expenses

The "TFCA Agreement" does not provide for cost-sharing (Counterpart) for the TFCA project to be supplied by the Brazilian Biodiversity Fund - FUNBIO thus was not the object of our work to check sources and uses of counterpart funds.

D. Internal Control

As part of our audit procedures, we evaluated the internal control structure FUNBIO, where we perform an evaluation of the susceptibility to operational risks and operating effectiveness of controls judged by FUNBIO as relevant to reduce operational risks to an acceptable rate, within the policies and relevant to the "TFCA Agreement" procedures, with the goal of:

1. Obtain a sufficient understanding of internal control structure to plan the audit and determine the nature, timing and extent of tests to be performed.
2. Evaluate control risk and audit risk.
3. Evaluate the control environment, the adequacy of accounting systems and control procedures. Highlight the policies and procedures that relate to the ability of FUNBIO to record, process, summarize and report financial data consistent with the assertions contained in each statement of accountability TFCA Account.

Were checked, but not limited to, the control systems for:

- (a) Ensure that charges for the program are appropriate and supported;
- (b) Management of cash on hand and in bank accounts (bank reconciliations);
- (c) Acquisition of goods and services;
- (d) Inventory management and absorption functions;
- (e) Personnel management, such as controls of hours, wages and benefits;
- (f) Management of the use and consumption goods (such as vehicles, equipment, etc.). Acquired by both the FUNBIO or directly by TFCA; and

(g) Ensure compliance with the terms of the contract, applicable laws and regulations, collectively, have a material impact on the statement of accountability project.

4. We include in the review the evaluation of other policies and procedures that may be relevant if they are relevant to the data used by the auditor in the performance of work.

E. Accordance with the terms of the Agreement, Applicable Laws and Regulations

The purpose of our procedures is to conclude if the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") prepared by FUNBIO for the period January 1st to December 31st, 2013 comply, in all aspects relevant, the terms of the TFCA agreement and applicable laws and regulations that may have a material impact on our assessment of the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement").

Our analysis included, among other procedures:

1. We identify the terms of the cooperation agreement, as well as relevant laws and regulations, and determine which of these, if not observed, would have significant direct effect on the demonstration of accountability of the fund. In this regard:
 - (a) We list all standard determinations of specific programs and those contained in the agreements that cumulatively, if not observed, could have a direct and material effect on the demonstration of accountability of Fund.
 - (b) Estimate the inherent risk and control risk of occurrence of significant disagreement for each compliance requirement listed in paragraph 1.a. above.
 - (c) We determine the nature, duration and extent of the steps and procedures to be adopted for a reasonably safe detect the presence of errors, fraud and illegal acts, both intentional and unintentional regarding inconsistency with the terms of the agreement, applicable laws and regulations, which may have a material effect on the demonstration of accountability of the TFCA. This procedure should be based on risk estimation mentioned in paragraph 1.b. above.
 - (d) We prepared a summary together with the audit documentation that identified each specific compliance requirement included in the review, the results of the estimates of inherent risk, control risk and detection risk for each compliance requirement.
2. Analyzing whether the payments were made pursuant to the terms of the agreement, applicable laws and regulations.
3. Analyzing whether the funds were used for unauthorized purposes or in violation of the terms of agreement.
4. Identify all irregular expenditure, classifying and explaining the reasons for its questioning.
5. We analyzed whether the use and purchase of consumer goods, directly acquired by FUNBIO or by the TFCA account to use FUNBIO exist and were used within the purposes they were intended, in accordance with the terms of the agreement.
6. We analyzed if the technical assistance and services procured by FUNBIO were used for the purposes they were intended, as the agreement.
7. We evaluated the recipients of services and benefits were regularly qualified to receive them (eligible).
8. Checked if the financial reporting requirements of FUNBIO and advances and reimbursement contain information supported by relevant books and records.

9. We check that FUNBIO kept the advances of funds received in TFCA Account in interest-bearing accounts, and that income integrate the account balances to be used in the purposes of the TFCA Agreement.

F. Follow-Up of Recommendations from Previous Audits

We issued on March 28, 2014, report of recommendations on internal controls of the Brazilian Biodiversity Fund - FUNBIO with our recommendations for the improvement of accounting systems and internal controls, which result from the findings made by us in the course of our audit work. Our recommendations concerning audits of prior years are presented in this report.

IV. Results of Audit

i. Demonstrating accountability resources of Tropical Forest Conservation Act ("TFCA Agreement")

In our opinion, the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement"), managed by the Brazilian Fund for Biodiversity - FUNBIO is fairly presented, in all material respects, the revenues from the program and expenses incurred for the period of January 1st to December 31st, 2013, in accordance with the terms of the "TFCA Agreement" and with the aforementioned accounting policies in explanatory note 1 of this report.

ii. Accordance with the terms of the agreement, applicable laws and regulations

In connection with obtain reasonable assurance that the statement of accountability of the fund is free from material misstatement, we performed analysis and testing to determine compliance with the terms of the agreement, as well as laws and regulations.

Occurrences of non-compliance with the terms of the Agreement, applicable laws or regulations, are considered material weaknesses, which lead us to conclude that the aggregation of distortions resulting from these failures are significant for demonstrating Fund accountability.

In our testing and analysis did not identify any instances of noncompliance material to be reported in this report, according auditing standards of the United States Government, for the period January 1st to December 31st, 2013.



iii. Internal control

In connection with the audit of the financial statements of the Brazilian Fund for Biodiversity - "FUNBIO", on December 31, 2013, conducted in accordance with auditing standards applicable in Brazil, issued by professional and technical standards of the Federal Council for accounting - CFC, we proceed to the study and evaluation of accounting systems and internal controls in order to establish the nature, scope and extent necessary for the application of audit procedures in order of issuing an opinion on these financial statements. Thus, although not express an opinion or conclusion on the accounting systems and internal controls of FUNBIO, we present recommendations for the improvement of these systems resulting from findings made in the course of our audit.

Our analysis and evaluation of internal controls revealed no material deficiencies we feel need to be reported in this report.

Our recommendations for the improvement of accounting systems and internal controls identified were reported in our report recommendation arising from the review of internal controls.

Audit report on the Demonstration of accountability resources of Tropical Forest Conservation Act ("TFCA Agreement")

To the Brazilian Fund for Biodiversity - FUNBIO
Rio de Janeiro - RJ

Audited the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") managed by the Brazilian Fund for Biodiversity - FUNBIO, for the period January 1 to December 31, 2013. The preparation of the statement of performance accounts managed resource is the responsibility of FUNBIO. Our responsibility is to express an opinion on the statement of accountability of managed resources based on our audit.

Our examination of the statement of accountability managed resource was conducted in accordance with government auditing standards generally accepted in the United States of America (USGAGAS), which are issued by the "United States Government Accountability Office". Those standards require planning and performing audit procedures to obtain reasonable assurance that the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") is free from material misstatement. An audit includes examining, on a test basis, the media and the amounts disclosed in the statement of accountability of Fund. An audit also includes assessments of the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement"). We believe that our audit provides a reasonable basis for our opinion.

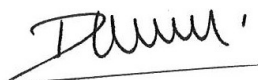
In our opinion, the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement"), managed by the Brazilian Fund for Biodiversity - FUNBIO, for the period January 1 to December 31, 2013, is fairly presented, in all material respects, as well as project revenues and expenditures incurred for the period of January 1st to December 31st, 2013, in accordance with the terms of the TFCA Agreement and in accordance with the accounting scheme described in note 1.

In the context of audits of financial statements of the Brazilian Fund for Biodiversity - FUNBIO, issued on March 28, 2014 report of recommendations on internal controls of the Brazilian Fund for Biodiversity - FUNBIO with our recommendations for the improvement of accounting systems and internal controls, which result from the findings made by us in the course of our audit. This report is an integral part of an audit performed in accordance with government auditing standards generally accepted in the United States and should be read in conjunction with this report of the independent auditors on the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement"), considering the results of our audit.

This report is intended for the information of the Brazilian Fund for Biodiversity - FUNBIO and the Committee of the TFCA Account. However, after the release of the TFCA Account Committee, this report is a public record and its distribution is not limited.

Rio de Janeiro, March 28, 2014

Mazars Auditores Independentes
CRC 2SP023701/O-8



Dominique Nezan
Accountant CRC 1SP220825/O-0

Brazilian Fund for Biodiversity - FUNBIO

Demonstration of accountability of the resources of Tropical Forest Conservation Act ("TFCA Agreement")

<i>(Expressed in R\$)</i>	budgeted 2011	budgeted 2012	budgeted 2013	Acumulated	2011	2012	2013	Acumulated
Recursos Recebidos								
Acordo de cooperação	13.387.090	12.450.607	8.586.534	34.424.231	14.067.107	12.727.122	9.223.787	36.018.016
Juros recebidos	669.355	997.676	1.000.000	2.667.031	654.238	1.030.168	1.175.131	2.859.537
Total das receitas	14.056.445	13.448.283	9.586.534	37.091.262	14.721.345	13.757.290	10.398.918	38.877.553
Personnel expenses								
Contracted services (administrative fee + Audit)	95.000	1.550.887	2.219.142	3.865.030	100.733	948.191	1.213.115	2.262.039
Total Personnel expenses	95.000	1.550.887	2.219.142	3.865.030	100.733	948.191	1.213.115	2.262.039
Other expenses								
Disbursement - Notice 1	-	11.107.474	9.157.581	20.265.055	-	7.455.185	5.056.916	12.512.101
Disbursement - Notice 2	-	520.000	1.900.265	2.420.265	-	462.189	669.077	1.131.266
Disbursement - Notice 3	-	1.056.000	1.535.007	2.591.007	-	823.665	831.198	1.654.862
Disbursement - Notice 4	-	-	4.400.000	4.400.000	-	-	3.285.224	3.285.224
Travel and accommodation - Committee	65.000	145.000	61.800	271.800	53.900	39.989	32.542	126.431
Travel and accommodation - Camera Technique	-	108.000	-	108.000	18.183	115.999	1.385	135.567
Travel and accommodation - Monitoring the project seminars	-	100.000	100.800	200.800	-	1.109	84.337	85.446
posting	-	8.001	3.000	11.001	-	2.461	878	3.339
Communication and reporting	-	-	-	-	-	-	-	-
Financial Expenses (Rates)	900	3.000	2.000	5.900	21.443	873	1.136	23.452
Miscellaneous Expenses	-	1.000	1.000	2.000	-	344	-	344
Total of other expenses	65.900	13.048.475	18.143.373	31.257.748	93.526	8.901.813	10.327.888	19.323.226
TOTAL EXPENSES	160.900	14.599.362	20.362.515	35.122.777	194.259	9.850.004	11.541.002	21.585.265
Total balance of the project in December 31st 2013								17.292.288

Brazilian Fund for Biodiversity - FUNBIO

Explanatory notes on the Demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") Period of January 1 to December 31, 2013

1 General information and summary of accounting policies

The demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") has been prepared in compliance with government audit requirements issued by the General Controller of the United States of America. The accounting policies adopted by the Directors are set out below:

- (a) Responsibility Statement of the Fund: Due to FUNBIO use its own system of financial and accounting management to report the operations of the Project the Chart of Accounts used has the classification of accounting items. The demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement"), managed by the Brazilian Fund for Biodiversity - FUNBIO was prepared using the cash basis, which consists of revenue accounting only during the time of receipt and accounting of costs and expenses only upon the actual payment in cash, an arrangement that does not hurt the accounting principles.
- (b) Revenues: Revenues are recorded on the date the funds are transferred by the Brazilian Government to FUNBIO are available in the current account FUNBIO.
- (c) Taxa cambial: Os registros financeiros do programa são mantidos em Reais, moeda corrente do Brasil. Em 31 de dezembro de 2013, a cotação do real frente ao dólar dos EUA era de R\$ 2,3426 : USD 1,00. A demonstração de prestação de contas dos recursos do Tropical Forest Conservation Act ("Acordo TFCA") foi elaborada em reais.

2 Transfer of funds

Resource transfers during the period from January 1st to December 31st 2013, by the deposit in the bank account of the project "TFCA" totaled R \$ 9,223,787. Thus, added to the balances transferred during 2011 and 2012, make up the total amount of R \$ 36,018,016 in financial contributions made on behalf of the "TFCA Agreement", as shown below:

<u>Date</u>	<u>Amount (in R\$)</u>
Total 2011	14,067,107
Total 2012	12,727,122
	<hr/>
February / 2013	2,272,596
April / 2013	2,489,725
May / 2013	935,423
June / 2013	179,943
August / 2013	2,678,567
November / 2013	473,653
December / 2013	193,880
Total 2013	9,223,787
	<hr/>
Total of financial contributions made	36,018,016

Brazilian Fund for Biodiversity - FUNBIO

Explanatory notes on the Demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") Period of January 1 to December 31, 2013

3 Reconciliation of available funds

The reconciliation between the revenue excess and incurred costs with values available in bank accounts and their investments on December 31st 2013, there are summarized below:

	<u>In R\$</u>
Balance of the project in December 31st 2013	17,292,288
Adjustments:	
Expenses in accounting reconciliation (paid and unrecognized)	<u>(3,448)</u>
Cash and banks at December 31, 2013	<u>17,288,840</u>
Composition of cash and cash equivalents:	
<i>Operative Account</i>	
Banco do Brasil - C/C 22206-2	3,901
Banco do Brasil - C/Aplic CDB 22206-2	14,025,302
Banco do Brasil - C/Aplic RF 22206-2	<u>3,259,636</u>
	<u>17,288,840</u>

Linked availabilities to projects represent amounts transferred by the TFCA to the Entity, which are kept in individual accounts of each project and investments in investment funds and bank certificates of deposit - CDB, which have liquidity less than 90 days, with insignificant risk of value reduction. Such applications are composed of CDB's paid with the CDI and other investments in investment funds, maintained at a financial institution of 1st line.

Review report on compliance with standards, laws and regulations on the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement")

To the Brazilian Fund for Biodiversity - FUNBIO
Rio de Janeiro - RJ

Audited the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") managed by the Brazilian Fund for Biodiversity - FUNBIO, for the period January 1st to December 31st 2013, for which we have issued an audit report dated on March 28, 2014.

Our examination of the statement of accountability managed resource was conducted in accordance with government auditing standards generally accepted in the United States of America (USGAGAS), which are issued by the "United States Government Accountability Office". Those standards require planning and performing of audit procedures to obtain reasonable assurance that the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") is free from material misstatement. An audit includes examining, on a test basis, the media and the amounts disclosed in the statement of accountability of the fund. An audit also includes assessments of the accounting principles used and significant estimates made by management in the preparation of the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement").

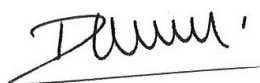
As part of obtaining reasonable assurance that the Brazilian Fund for Biodiversity, as manager of the amounts made available because of the TFCA Agreement, is in accordance with the applicable terms of the aspects of the TFCA Agreement and other agreements signed between the parties, Laws and other existing legal provisions under Brazilian law, we performed adherence tests for compliance with the terms of the Agreement, as described in "E". However, our goal was not to deliver an opinion on compliance with debt covenants. Accordingly, we express no such opinion.

Based on the procedures performed, we are not aware of any facts that would lead us to believe that the Brazilian Fund for Biodiversity - FUNBIO is in violation of the terms of the TFCA Agreement and other agreements signed between the parties, other existing laws and legal provisions under Brazilian law, in all material respects, that could significantly affect the presentation of the report.

Any immaterial instances of noncompliance, if they occurred, were discussed in the recommendations from the review of internal controls report, which contains our recommendations to improve internal controls and safeguarding of assets.

Rio de Janeiro, March 28th, 2014

Mazars Auditores Independentes
CRC 2SP023701/O-8



Dominique Nezan
Accountant CRC 1SP220825/O-0

Review report on internal controls applicable on the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement")

To the Brazilian Fund for Biodiversity - FUNBIO
Rio de Janeiro - RJ

Audited the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") managed by the Brazilian Fund for Biodiversity - FUNBIO, for the period of January 1 to December 31, 2013, for which we have issued an audit report dated on March 28, 2014.

Our examination of the statement of accountability managed resource was conducted in accordance with government auditing standards generally accepted in the United States of America (USGAGAS), which are issued by "United States Government Accountability Office". Those standards require planning and performing of audit procedures to obtain reasonable assurance that the statement of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement") is free from materially relevant distortions. An audit includes examining, on a test basis, the supports of the amounts and disclosed in the statement of accountability of the fund. An audit also includes assessments of the accounting principles used and significant estimates made by management in the preparation of the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement").

In light of that examination we proceed to evaluation of accounting systems and internal controls with the purpose of establish the nature, scope and extent necessary for the application of audit procedures in order of issuing an opinion on that statement of accountability of resources of the Tropical Forest Conservation Act ("TFCA Agreement"). Thus, although does not express an opinion or conclusion on the accounting systems and internal controls of FUNBIO, we present recommendations for the improvement of these systems resulting from findings made in the course of our audit. Does not made part of the scope of the work an external review of the internal control procedures FUNBIO. We believe that the control points mentioned in our report recommendation arising from the review of internal controls are not material so as to affect the "TFCA Agreement".

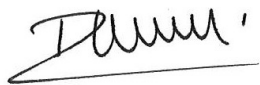
A deficiency of internal controls exists when its operation does not allow the Board or on other employees, the prevention, detection or error correction in a timely manner so that the Fund maintains the normal course of its activities. Our approach to internal control was based on a limited proposal as described in the first paragraph and was not intended to identify other deficiencies in internal control that were significant.

Based on our review, we are not aware of any facts that would lead us to conclude that there are significant deficiencies in internal controls, which in our judgment could affect the capacity to record, process, summarize and report financial data consistent with the assertions of management on the demonstration of accountability of the resources of the Tropical Forest Conservation Act ("TFCA Agreement").

Possible cases of deficiencies in internal controls, if they occurred, were discussed in the recommendations from the review of internal controls report, which contains our recommendations to improve internal controls and safeguarding of assets.

Rio de Janeiro, March 28th, 2014.

Mazars Auditores Independentes
CRC 2SP023701/O-8



Dominique Nezan
Accountant CRC 1SP220825/O-0