



**FINANCIAL STATEMENTS**

**FUNDO BRASILEIRO PARA A BIODIVERSIDADE – FUNBIO (BRAZILIAN  
BIODIVERSITY FUND – FUNBIO)**

**AT DECEMBER 31, 2014  
AND INDEPENDENT AUDITORS' REPORT  
(A free translation of the original, in Portuguese)**



**Contents**

Independent auditors' report on the financial statements..... 3  
Balance sheet..... 4  
Statement of results ..... 5  
Statement of comprehensive results..... 6  
Statement of changes in equity..... 7  
Statement of cash flows..... 8  
Notes to the financial statements..... 9

## Independent auditors' report on the financial statements

To Management and Board of Directors  
Fundo Brasileiro para a Biodiversidade – FUNBIO  
Rio de Janeiro - RJ

We have audited the financial statements of Fundo Brasileiro para a Biodiversidade – FUNBIO (Brazilian Biodiversity Fund – FUNBIO), which comprises the balance sheet as of December 31, 2014 and the statements of deficit for the year, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's responsibility for the financial statements

Management of the Entity is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and for internal control as management determines is necessary to enable the preparation of financial statements that are free from relevant misstatement, whether due to fraud or error.

### Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, conducted in accordance with Brazilian and International Standards on Auditing. These standards require the compliance with ethical requirements by auditors, the audit being planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing selected procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for purposes of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

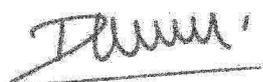
We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the financial statements referred to above fairly present, in all relevant respects, the financial position of Fundo Brasileiro para a Biodiversidade – FUNBIO at December 31, 2013, the results of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

Rio de Janeiro, April 17, 2015

Mazars Auditores Independentes  
CRC 2SP023701/O-8 "F" RJ



Dominique Joseph Marcel Nezan  
Contador CRC 1SP220825/O-0 "S" RJ

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Balance sheet at December 31

In thousands of reais

<b>Assets</b>	<b>2014</b>	<b>2013</b>	<b>Liabilities and equity</b>	<b>2014</b>	<b>2013</b>
Current assets			Current liabilities		
Cash and cash equivalents (Note 8)	463,152	368,911	Suppliers (Note 10)	82	19
Other accounts receivable	394	508	Payroll and labor liabilities (Note 11)	1,716	1,377
	<u>463,546</u>	<u>369,419</u>	Taxes and fees	179	125
Non-current assets			Third-party resources linked to projects (Note 12)	228,134	177,981
Fixed assets (Note 9)	664	546	Other accounts payable	<u>1,285</u>	<u>162</u>
Intangible assets	-	8		<u>231,396</u>	<u>179,664</u>
	<u>664</u>	<u>554</u>	Non-current liabilities		
			FUNBIO resources fund (Note 13)	15,033	14,573
			Third-party resources linked to projects – Funds (Note 12)	<u>217,946</u>	<u>175,383</u>
				<u>232.979</u>	<u>189.956</u>
			Equity		
			Accrued surplus	353	428
			Deficit for the year	<u>(518)</u>	<u>(75)</u>
				<u>(165)</u>	<u>353</u>
Total assets	<u><u>464,210</u></u>	<u><u>369,973</u></u>	Total liabilities and equity	<u><u>464,210</u></u>	<u><u>369,973</u></u>

The accompanying notes are an integral part of these financial statements.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Statement of results

Years ended December 31

In thousands of reais

	<u>2014</u>	<u>2013</u>
<b>Operating revenues</b>		
Reimbursement of projects (Note 14)	8,267	8,312
Administration fee (Note 15)	1,861	1,927
Services supplied (Note 16)	371	736
<b>Total revenues</b>	<u>10,499</u>	<u>10,974</u>
<b>Operating expenses</b>		
<b>Administrative</b>		
Payroll and charges	(9,018)	(8,299)
Third-party services	(1,110)	(1,266)
Rental and maintenance	(673)	(547)
Travel	(202)	(197)
General	(807)	(820)
<b>Total expenses</b>	<u>(11,810)</u>	<u>(11,131)</u>
Financial expenses	(22)	(58)
Financial income	104	139
<b>Financial results, net (Note 17)</b>	<u>82</u>	<u>81</u>
<b>Operating results</b>	<u>(1,228)</u>	<u>(75)</u>
<b>Projects</b>		
Rendering of audited accounts (Note 12)	55,326	58,301
Disbursement to partners (Note 12)	(15,299)	(19,457)
Resources used (Note 12)	(40,486)	(38,902)
Accountability in progress (Note 12)	460	58
<b>Results of projects</b>	<u>-</u>	<u>-</u>
<b>Application of funds (Note 13)</b>	<u>710</u>	<u>-</u>
<b>Deficit for the year</b>	<u>(518)</u>	<u>(75)</u>

The accompanying notes are an integral part of these financial statements.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Statement of comprehensive results

Years ended December 31

In thousands of reais

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	<u>2014</u>	<u>2013</u>
<b>Deficit for the year</b>	(518)	(75)
<b>Other comprehensive results</b>	<u>-</u>	<u>-</u>
<b>Comprehensive result for the year</b>	<u>(518)</u>	<u>(75)</u>

The accompanying notes are an integral part of these financial statements.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Statement of changes in equity In thousands of reais

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	<b>Accumulated surplus (deficit)</b>	<b>Deficit for the year</b>	<b>Total</b>
<b>Balances at January 1, 2013</b>	428	-	428
Deficit for the year		(75)	(75)
Transfer to accumulated surplus (deficit)	(75)	75	-
<b>Balances at December 31, 2013</b>	353	-	353
Deficit for the year		(518)	(518)
Transfer to accumulated surplus (deficit)	(518)	518	-
<b>Balances at December 31, 2014</b>	(165)	-	(165)

The accompanying notes are an integral part of these financial statements.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Statement of cash flows Years ended December 31 In thousands of reais

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
<b>Deficit for the year</b>	(518)	(75)
<b>Adjustments</b>		
Residual value of retired fixed asset	2	3
Depreciation and amortization	252	269
	(264)	197
<b>Changes in assets and liabilities</b>		
Other accounts receivable	114	(239)
Suppliers	75	(547)
Payroll and labor liabilities	253	138
Taxes and fees	88	(12)
Other accounts payable	1,165	(1,010)
<b>Net cash flow provided by (used in) operating activities</b>	1,431	(1,473)
<b>Cash flows from investing activities</b>		
Additions to fixed assets and intangible assets	(365)	(121)
<b>Net cash flow used in investing activities</b>	(365)	(121)
<b>Cash flows from financing activities</b>		
Receipt of funds related to projects	124,912	82,951
Income from funds related to projects	28,368	15,482
Exchange variations on resources related to projects	10,749	13,391
Financial management of funds related to projects	(2,168)	(745)
Costs related to projects	(69,146)	(66,688)
Increase/decrease in resource funds	460	409
<b>Net cash flow provided by financing activities</b>	93,175	44,800
<b>Net increase in cash and cash equivalents</b>	<u>94,241</u>	<u>43,206</u>
<b>Changes in cash and cash equivalents</b>		
At the end of the year	463,152	368,911
At the beginning of the year	368,911	325,705
<b>Net increase in cash and cash equivalents</b>	<u>94,241</u>	<u>43,206</u>

The accompanying notes are an integral part of these financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements

at December 31, 2014

In thousands of reais

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### 1 Operational context

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

Our vision is "To be reference in enabling strategic resources and solutions for biodiversity conservation."

Fundo Brasileiro para a Biodiversidade, or FUNBIO, is a non-profit civil association that started operations in 1996. It is an innovative, private financial vehicle intended to develop strategies to promote the implementation of the Convention on Biological Diversity (CDB) in Brazil.

FUNBIO forms strategic partnerships with private sector entities, state and federal government agencies and organized civil society bodies. Such partnerships enable the companies' social and environmental investments and the reduction and mitigation of the related impacts, as well as the compliance with their legal obligations. With respect to the public sector, these partnerships aim at strengthening conservation policies and enabling environmental financing programs.

In 2014, financial resources under FUNBIO's management exceeded the USD half billion level over its 18 years of existence. In this connection, the organization supported 207 projects and 282 protected areas in Brazil. Also in 2014, following three years of rigorous assessment and investments in institutional strengthening, FUNBIO became the first Latin American national agency to be accredited under GEF – Global Environment Facility, therefore becoming part of a select group of GEF agencies in the world.

At the end of 2014, FUNBIO's assets under management totaled R\$ 464 million (2013: R\$ 369 million), of which R\$ 446 million are third-party resources linked to projects (2013: 353 million) and R\$ 15 million represents own resources (2013: R\$ 14.5 million). During the same period, total projects executed amounted to R\$ 55 million (2013: R\$ 58 million), as detailed in Note 12. Operating expenses increased by 6% during the year to reach R\$ 11.8 million (2013: R\$ 11.1 million).

The governance of FUNBIO is captained by the Deliberative Council (CD), composed of 16 representatives of the business, environmental, governmental and academic sectors. The CD is responsible for establishing FUNBIO's strategy and overall direction. It meets three times a year, assesses the strategic direction and the entity's management. The Advisory Council (CC), comprised of 34 former members of the CD and invited leaders, provides the entity with technical advices. It meets once a year and its members may be part of project technical committees. The Finance and Audit Committee (CFA), comprised of CD and CC members, assists the Deliberative Council on management matters, approval of budgets and investment plans. The Asset Management Committee is made up of CFA members and invited financial market experts. It supports the decision making process regarding investment policies and the Entity's financial investments.

### 2 Basis of preparation of the financial statements

#### Declaration of conformity

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, which include the corporate law, Pronouncements, Guidelines and Interpretations issued by the Accounting Pronouncements Committee (CPC), approved by the Conselho Federal de Contabilidade (Federal Accounting Council) - CFC.

# **Fundo Brasileiro para a Biodiversidade - FUNBIO**

## **Notes to the financial statements at December 31, 2014 In thousands of reais**

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The issuance of these financial statements was authorized by management on April 17, 2015.

### **Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for financial investments presented at fair value through results.

### **3 Functional currency and presentation currency**

These financial statements are presented in Brazilian Real (plural form: reais), which is the functional currency of the entity. All financial information presented in Real was rounded up to the nearest dollar, unless otherwise indicated.

### **4 Use of estimates and judgments**

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires the entity's management to use its judgment in determining and recording accounting estimates. Assets and liabilities subject to these estimates and assumptions include the residual value of fixed assets and intangible assets. The settlement of transactions involving these estimates may result in amounts that differ from those estimated, due to the inaccuracies inherent in the process of their determination. The Entity reviews its estimates and assumptions at least annually.

### **5 Fair value measurement**

When measuring the fair value of an asset or a liability, the Entity uses observable market data as much as possible. The fair values are classified into different levels in a hierarchy based on the inputs used in valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Entity recognizes transfers between levels of the fair value hierarchy at the end of the period of the financial statements in which the changes occurred. On December 31, 2013 CPC 46/IFRS 13 was adopted. This Standard unifies the definition of fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements included in other CPCs/IFRS, including CPC 40 (R1)/IFRS7.

In accordance with the transitional provisions of CPC 46, the Entity applied the new criteria for measuring fair value prospectively and presented no comparative information for the new disclosures. However, the change had no significant impact on the measurement of assets and liabilities of the Entity.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements at December 31, 2014 In thousands of reais

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### 6 Main accounting policies

#### 6.1 Translation of foreign currency

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. The foreign exchange gains and losses resulting from the closing of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currencies at the exchange rates at year-end are recognized in the result statement.

#### 6.2 Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and other short-term highly liquid investments with original maturities of three months or less and with insignificant risk of change in value; for purposes of the cash flow statement, it includes cash balances in secured accounts, if used.

Financial investments are stated at cost plus accrued interest and exchange rate variations to the balance sheet date and adjusted to market value, when lower.

#### 6.3 Fixed assets

Fixed assets are measured at historical cost less accumulated depreciation and losses from reduction in the recoverable value (impairment), where applicable. The historical cost includes expenses that are directly attributable to the acquisition of items, including financing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's book value or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item and the cost of the item can be reliably measured. The book value of the replaced part is written down. All other repair and maintenance costs are expensed in the results statement as incurred.

The depreciation of fixed assets is recorded over their useful lives at the periods shown below:

	<u>Years</u>
Leasehold improvements	3 to 25
Computer equipment	5
Furniture and fixtures	10
Machines and equipment	10

The residual values and useful lives of assets are reviewed and adjusted, when appropriate, at the end of each period.

The book value of an asset is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Useful lives are based on management's estimates regarding the period in which the assets will generate revenue, which are periodically reviewed for continuing suitability. Changes in estimates could result in significant changes in the book value and the values are apportioned to results for the year, according to new estimates.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

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#### **6.4 Intangible assets**

The software licenses are capitalized on the basis of costs incurred to acquire and prepare the software for use. These costs are amortized over their estimated useful lives, not exceeding five years.

Costs associated with maintaining computer software are recognized as expense as incurred.

#### **6.5 Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the book value may not be fully recoverable. The book value of an asset is immediately reduced to its recoverable amount if the asset's book value is greater than its estimated recoverable amount. The latter is the higher of the fair value of an asset less costs to sell and value in use.

#### **6.6 Suppliers**

Accounts payable to suppliers are obligations to pay for goods or services that have been acquired in the ordinary course of business and project management activities, and classified as current liabilities if payment is due within a period of one year (or the normal operating cycle of business, if longer). Otherwise, accounts payable are presented as non-current liabilities.

Initially, they are recognized at fair value and subsequently measured at amortized cost using the effective rate method. In practice, they are usually recognized at the value of the related invoice.

#### **6.7 Provisions**

Provisions are recognized when the entity has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

The Entity is a party to labor and civil litigation in progress, and is discussing these matters at the administrative and judicial levels. When applicable, litigations are supported by judicial deposits. Provisions for losses on these processes are estimated and updated by management, based on the advice of external legal advisers.

#### **6.8 Third-party resources linked to projects**

Deposits made into FUNBIO accounts for the execution of projects and based on contractual instruments are recognized as a liability of the Entity to donors and/or partners. During the implementation of the projects, these obligations are recognized against the "Rendering of audited accounts" in the statement of results.

#### **6.9 Realizable values and chargeability**

Other assets and liabilities are stated at realizable values and chargeability, respectively, and include where applicable, monetary or exchange variations, as well as income earned and charges incurred through the balance sheet date recognized on a pro rata basis. When applicable, provisions are recorded for adjustments to market value or probable realizable value.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Notes to the financial statements at December 31, 2014 In thousands of reais

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The receivables and payables balances due within 12 months from the balance sheet date are classified as current assets and liabilities, respectively.

### 6.10 Recognition of revenue

Revenue comprises the fair value of the consideration received or receivable for the provision of consultancy services, project and administrative reimbursement fee in the normal course of business.

Revenue from services rendered is recognized when it can be reliably estimated, relates to the transaction in question and the stage of completion of its services at the end of the reference period.

The revenue reimbursement of projects is recognized when FUNBIO is reimbursed for the management and execution of projects. These revenues are provided for in the budgets of the projects that are part of contractual agreements.

The revenue from management fee is calculated based on a variable percentage according to project execution, and these fees are provided for in contractual instruments and the revenue is recognized in the statement of results at the time of accountability of the projects.

#### (a) Internalization of resources

Recorded as revenue upon the transfer of financial resources invested by the incumbent manager of a financial institution in Brazil to the account "FUNBIO funds of resources - FRF" in long-term liabilities..

#### (b) Financial income

Financial income is recognized using the effective rate method.

### 6.11 Recognition of project expenses

Project expenses are recognized in the statement of results for the year in the "Disbursement to partners", "Resources used", and "Accountability in progress" accounts, as incurred.

### 6.12 Current income tax and social contribution

Being a non-profit entity, Funbio is exempt from payment of income tax and social contribution, as set forth in Article 15 of Law 9.532/97, provided that it meets the requirements established in items "a" to "e" of §2 of Article 12 of said Act, namely:

- Do not pay in any way its officers for services rendered;
- Submit its annual tax return in accordance with the provisions of the act of the Federal Revenue;
- Do not submit their accounts in surplus or, if present in a given year, put aside this result fully to maintenance and development of its social objectives;
- Do not contribute to acts constituting violations of the provisions of corporate law;
- Do not comply with the legal requirements in Article 32 of Law No. 9.430/96.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements at December 31, 2014 In thousands of reais**

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Contribution to the Social Integration Program (Programa de Integração Social) – PIS and Contribution to Social Security Financing (Financiamento da Seguridade Social) – COFINS: According to article 13 of Provisional Measure (MP) 2158-35 of 2001, the nonprofits that have employees, as defined by labor legislation, contribute to the PIS with a fixed quota of 1% on the monthly payroll. Such entities are exempt from PIS on revenues, under §1 of Article 14 of MP No. 2158-35/01, provided that they meet the requirements of Article 12 of Law No. 9532/97.

With regard to COFINS, item X, Article 14 of the MP 2158-35 of 2001 determines that this contribution is not applicable to revenues of nonprofit institutions. Again, the exemption depends on meeting the requirements of Article 12 of Law No. 9532/97.

The Entity is complying with the requirements of Law No. 9532/97 for the enjoyment of the exemptions mentioned.

#### **6.13 New pronouncements, amendments and interpretations of IFRS not yet adopted**

The pronouncements below have been issued by IASB and will be mandatory for subsequent fiscal years. The entity will adopt them when a technical pronouncement is issued by CPC.

- (i) IFRS 15 – “Revenues from contracts with customers” – Issued in May 2014, effective January 1, 2017, superseding current standards IAS, “Construction Contracts”, and IAS 18 – “Revenues”. IFRS 15 sets forth revenue measurement, recognition and divulgation criteria.
- (ii) IFRS 9 – “Financial Instruments” – Final version issued in July 2014, effective January 1, 2018, superseding IAS 39, “Financial Instruments: Recognition and Measurement”, as well as prior versions of IFRS 9. IFRS 9 determines new requirements for classification and measurement, impairment and hedge accounting of financial instruments.

No other IFRSs or IFRICs yet to become effective could have a significant impact on the Entity.

#### **7 Financial risk management**

The Entity is exposed to the following risks from the use of the financial instruments mentioned in Note 6.13:

- Market risk, and
- Liquidity risk.

The information below summarizes the Entity’s exposure to each of the above risks, the policies and processes for measuring and managing risk, and capital management. Additional quantitative disclosures are included throughout these financial statements.

##### **(a) Market risk**

Market risk is the risk arising from the potential impact of changes in market prices, such as interest rates on financial investments of the Entity, earned gains in terms of its portfolio or the value of its interests in the financial instruments.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements

at December 31, 2014

In thousands of reais

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The Entity manages the market risk by investing in low market risk, low financial leverage funds, always with first tier financial institutions. In this connection, exchange risk emerges as the main market risk from projects that are funded by foreign entities.

#### Foreign exchange risk

This risk arises from the possibility that the entity may incur losses due to fluctuations in exchange rates, which reduce nominal amounts earned or increase funds raised in the market.

The projects are budgeted and executed in Real and balances control to internalize the benefits of project accounts are updated using the current exchange rate. Regular reconciliations of amounts received are made in accordance with the goals set for the project, and in case of significant variations the project is redesigned.

#### (b) Liquidity risk

This is the risk that the Entity may not have sufficient resources to meet its financial commitments, due to a mismatch in terms or volume between anticipated receipts and payments.

To manage liquidity, assumptions for future disbursements and receipts are made and monitored on a daily basis by the treasury department. Such control is performed to manage both the Entity and the individual project accounts.

### 8 Cash and cash equivalents

	<u>2014</u>	<u>2013</u>
<b>Own resources</b>		
Cash	340	292
Banks in the country	42	1
Banks abroad (a)	303	175
Financial investments in the country (b)	<u>15,857</u>	<u>15,509</u>
	<u>16,542</u>	<u>15,977</u>
<b>Third-party resources</b>		
Cash	-	-
Banks in the country	854	1,145
Banks abroad (a)	549	8,598
Financial investments in the country (b)	357,113	272,374
Financial investments abroad (c)	<u>88,094</u>	<u>70,817</u>
	<u>446,610</u>	<u>352,934</u>
	<u>463,152</u>	<u>368,911</u>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

The amounts shown as cash, banks in the country, banks abroad and financial statements represent own balances and are intended for operational and administrative maintenance. They are promptly convertible into cash and subject to an immaterial risk of change in value. Financial investments consist of funds and CDBs (Bank Deposit Certificates) and are recorded at cost plus income earned through the balance sheet date. Their fair value does not exceed their market value.

Funds linked to projects correspond to amounts passed on by several sponsors of the Entity and are maintained at individual project current accounts and financial investments in funds and CDBs, which are redeemable in less than 90 years, with immaterial risk of reduction in value. Such investments are comprised of CDBs remunerated at the CDI (Interbank Deposit Certificate) rate and investment funds held with first tier financial institutions. Such investments are recorded at cost plus earnings accrued to the balance sheet date and their fair value does not exceed their market value.

(a) Breakdown of bank account balances at December 31:

	<u>2014</u>	<u>2013</u>
Banco do Brasil NY FUNBIO	-	175
Banco do Brasil NY – GEF CERRADO	1	2
Banco do Brasil NY – RedLac Skill Building	22	463
J. P. MORGAN – NY	282	246
Banco do Brasil Frankfurt – FFEM	76	42
Banco do Brasil NY – ARPA KFW	-	1,557
Itaú MIAMI – FAP	154	6,274
Itaú MIAMI – FAP KFW	14	13
	<u>852</u>	<u>8,773</u>

(b) Financial investments in the country include the following at December 31:

<b>Atlantic Forest Project Fund (FMA)</b>	<u>2014</u>	<u>2013</u>
<b>Trust fund</b>		
Itaú Pragma - FMA Fundo Fiduciário	14,390	16,932
Itaú Private EFFICAX - FMA Fundo Fiduciário	6,110	1,993
Itaú Private ACTIVE FIX - FMA Fundo Fiduciário	2,296	2,104
	<u>22,796</u>	<u>21,028</u>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

Automatic investment	2014	2013
Banco do Brasil - FMA Comperj	-	25,421
Banco do Brasil - FMA Açú Shipbuilding	-	17,064
Banco do Brasil - FMA Comperj Infr. Impl. and Urbanization	-	12,205
Banco do Brasil - FMA GASDUC III	-	4,241
Banco do Brasil - FMA Obras Tecab	-	1,881
Banco do Brasil - FMA Baixada Fluminense	-	2,307
Banco do Brasil - FMA CSA II	2,332	2,155
Banco do Brasil - FMA Grota Funda	848	955
Banco do Brasil - FMA Santos Dumont Airport	-	990
Banco do Brasil - FMA GASJAP	405	767
Banco do Brasil - FMA Lighter	-	743
Banco do Brasil - FMA Metrô CRB II	-	2,718
Banco do Brasil - FMA Terminal Mar. Da Ilha Guaíba	-	582
Banco do Brasil - FMA Comperj UHOS	-	604
Banco do Brasil - FMA Quitumba	-	402
Banco do Brasil - FMA TA AR Transpetro	-	656
Banco do Brasil - FMA Ponta da Areia	-	296
Banco do Brasil - FMA Libra Terminal	-	466
Banco do Brasil - FMA UTE Porto do Açú	-	398
Banco do Brasil - FMA CTR Itaboraí	152	141
Banco do Brasil - FMA Però Area 4	-	5
Banco do Brasil - FMA Però Viário	-	34
Banco do Brasil - FMA Però Area 33	-	6
Banco do Brasil - FMA Però Area 19/22	-	13
Banco do Brasil - FMA Però Area 30/22	-	25
Banco do Brasil - FMA Dutov Comperj	-	1,205
Banco do Brasil - FMA TER Sub Emissary	-	648
Banco do Brasil - FMA Petrobras Transmission Line	-	55
Banco do Brasil - FMA Transsol Pmrj	-	2,719
Banco do Brasil - FMA CCR Dutra	-	274
Banco do Brasil - FMA Multi Rio	-	330
Banco do Brasil - FMA Multi Car	-	342
Banco do Brasil - FMA Guapimirim Gas Pipeline	-	106
Banco do Brasil - FMA UPGN Comperj	-	906
Banco do Brasil - FMA Marina Imperial	-	64
Banco do Brasil - FMA CTR CAMPOS	-	39
Banco do Brasil - FMA APLICAÇÃO CTL	70	65
Banco do Brasil - FMA RIO JV PARTN	-	115
Banco do Brasil - FMA BRASFELS	-	70
Banco do Brasil - FMA LOT IND PRIMUS	-	90
Banco do Brasil - FMA VILAREJO MARA	-	109
Banco do Brasil - FMA LIBRA TERMINAL	-	195
	3,806	82,406

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

Investment in Bank Deposit Certificates (CBD)	2014	2013
Banco do Brasil CDB - FMA Comperj	31,817	-
Banco do Brasil CDB - FMA LLX AÇU	7,954	9,070
Banco do Brasil CDB - FMA CSA II	1,542	1,722
Banco do Brasil CDB - FMA Via Principal	110	648
Banco do Brasil CDB - FMA Comperj Infr. Impl. And Urbanization	13,034	-
Banco do Brasil CDB - FMA Metrô CRB	500	462
Banco do Brasil CDB - FMA Terminal Mar. Da Ilha Guaíba	238	-
Banco do Brasil CDB - FMA GASDUC III	3,347	-
Banco do Brasil CDB - FMA Paracambi Lighter	813	-
Banco do Brasil CDB - FMA CTR Alcântara	-	48
Banco do Brasil CDB - FMA LIBRA TERMINAL	905	-
Banco do Brasil CDB - FMA TERM SUL LLX	2,950	709
Banco do Brasil CDB - FMA OF CSN	8,582	7,874
Banco do Brasil CDB - FMA Pres. Vargas	502	460
Banco do Brasil CDB - FMA JV PART CDB	281	99
Banco do Brasil CDB - FMA Loteum Incor.	112	39
Banco do Brasil CDB - FMA Lotf Area 30/32	-	37
Banco do Brasil CDB - FMA Metrô CRB II	5,683	-
Banco do Brasil CDB - FMA Pero Area 19/22	-	50
Banco do Brasil CDB - FMA Però Viario	-	51
Banco do Brasil CDB - FMA CV	929	293
Banco do Brasil CDB - FMA Gasjap	190	83
Banco do Brasil CDB - FMA Reseva Pero Ar. 33	-	12
Banco do Brasil CDB - FMA Reseva Pero Ar. 14	-	9
Banco do Brasil CDB - FMA Braz Interm.	491	267
Banco do Brasil CDB - FMA UTE Porto do Açu	435	-
Banco do Brasil CDB - FMA Ponta da Areia	316	-
Banco do Brasil CDB - FMA Quitumba	441	-
Banco do Brasil CDB - FMA Comperj UHOS	661	-
Banco do Brasil CDB - FMA TER Sub Emissário	1,727	-
Banco do Brasil CDB - FMA Dutov Comperj	4,278	-
Banco do Brasil CDB - FMA Petrobras Transmission Line	99	-
Banco do Brasil CDB - FMA Transolimpica Pmrj	6,501	-
Banco do Brasil CDB - FMA CCR Dutra	861	-
Banco do Brasil CDB - FMA Multi Rio	706	-
Banco do Brasil CDB - FMA Multi Car	732	-
Banco do Brasil CDB - FMA Gasoduto Gapimirim	376	-
Banco do Brasil CDB - FMA Gasoduto Gapimirim II	540	-
Banco do Brasil CDB - FMA Lot. Buzios Golfe	156	-
Banco do Brasil CDB - FMA UPGN Comperj	9,539	-
Banco do Brasil CDB - FMA MARINA IMPERIAL	69	-
Banco do Brasil CDB - FMA TRANSCARIOCA	7,283	-
Banco do Brasil CDB - FMA PMN DAS AGUAS	2,103	-
Banco do Brasil CDB - FMA UTE SANTA CRUZ FURNAS	977	-
Banco do Brasil CDB - FMA DRAGAGEM DO TELSUL	462	-
Banco do Brasil CDB - FMA Açu Shipbuilding	17,663	-
Banco do Brasil CDB - FMA Obras Tecab	1,598	-
Banco do Brasil CDB - FMA Baixada Fluminense	294	-
Banco do Brasil CDB - FMA TA AR Transpetro	225	-
Banco do Brasil CDB - FMA Santos Dumont Airport	989	-

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

	139,012	21,930
	<b>2014</b>	<b>2013</b>
<b>Investments in fixed income securities</b>		
Banco do Brasil RF - FMA Comperj	8,274	5,153
Banco do Brasil RF - FMA Açú Shipbuilding	11,921	10,928
Banco do Brasil RF - FMA Baixada Fluminense	858	787
Banco do Brasil RF - FMA LLX AÇÚ	2,265	2,076
Banco do Brasil RF - FMA SERB	630	579
Banco do Brasil RF - FMA Metrô CRB II	1,260	1,155
Banco do Brasil RF - FMA Comperj UHOS	985	903
Banco do Brasil RF - FMA ITAGUAI	3,770	3,456
Banco do Brasil RF - FMA P. VARGAS	520	477
Banco do Brasil RF - FMA Metro CRB	1,718	1,575
Banco do Brasil RF - FMA Loteum Incorp	25	23
Banco do Brasil RF - FMA Volta Redonda	290	266
Banco do Brasil RF - FMA PRIMUS	-	50
Banco do Brasil RF - FMA GASDUC	225	206
Banco do Brasil RF - FMA UTE AÇU	222	203
Banco do Brasil RF - FMA PTA AREIRA	227	208
Banco do Brasil RF - FMA BARRA MANSA	-	70
Banco do Brasil RF - FMA RIO JV PARTN	125	-
Banco do Brasil RF - FMA Obras Tecab	613	-
Banco do Brasil RF - FMA TA AR Transpetro	299	-
Banco do Brasil RF - FMA LIBRA TERMINAL	212	-
	<b>34,440</b>	<b>28,117</b>
<b>Subtotal</b>	<b>200,054</b>	<b>153,481</b>
<b>Other projects</b>		
<b>Other investments</b>	<b>2014</b>	<b>2013</b>
Banco do Brasil - PARNA DO CABO	23	-
Banco do Brasil - Adoption of Parks (MPX LM)	-	924
Banco do Brasil - Adoption of Parks (OGX FN)	-	1,279
Banco do Brasil - CARBONO PAITER SURUI	-	941
Banco do Brasil - Fauna Portfolio (Blue Ararinha)	-	1,480
Banco do Brasil - Fauna Portfolio (Manatees)	-	25
Banco do Brasil - Fauna Portfolio (Seismic)	-	27
Banco do Brasil - Fap Operacional	1,465	-
Banco do Brasil - FIP	-	75
Banco do Brasil - FUNBIO ADM. TITULO DE CAPITALIZAÇÃO	15	-
Banco do Brasil - FUNBIO CIDADES	-	412
Banco do Brasil - FUNJUS	-	101
Banco do Brasil - GEF BM Arpa II	3,313	1,799
Banco do Brasil - GEF Nutrition	-	369
Banco do Brasil - GIZ Anavilhanas	-	1,237
Banco do Brasil - Kayapo	-	743
Banco do Brasil - KfW ARPA 2ª Fase	-	3,315
Banco do Brasil - Novas Fontes Arpa	-	787
Banco do Brasil - PROBIO Fundo de Oportunidade	-	2,667

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

<b>Other investments</b>	<b>2014</b>	<b>2013</b>
Banco do Brasil - RESEX DO RIO CAUTARIO	-	3
Banco do Brasil - RVS Rio da Prata	-	340
Banco do Brasil - Terra do Meio	-	310
Itaú - ACTIVE FIX - FAP	673	616
Itaú - ACTIVE FIX - FRF	1,591	1,457
Itaú - Fauna ( Fauna Portfolio)	-	17
Itaú - Administrativa	18	19
Itaú - FAP COMPROMISSADA DI	25,213	-
Itaú - FAP KFW EFFICAX	6,587	-
Itaú - Fauna (Fauna Portfolio)	5	2
Itaú - PRIV. COMPR. DI FD KAYAPÓ	1,071	-
Itaú - PRIVATE EXCLUSIVE FIC	88	-
Itaú Compromissada DI - FAP KFW	10,773	7,275
Itaú Compromissada DI - Fauna (Fauna Portfolio)	144	132
Itaú Private - FAP	1,763	521
Itaú Private - Fauna (Fauna Portfolio)	118	155
Itaú Private - FRF	3,561	1,234
Itaú Private - Fundo Kayapó	2,339	1,592
	<b>58,759</b>	<b>29,855</b>
<b>Investments in Bank Deposit Certificates - CDB</b>	<b>2014</b>	<b>2013</b>
Banco do Brasil CDB - TFCA	6,243	14,025
Banco do Brasil CDB - FUNJUS	3,135	3,639
Banco do Brasil CDB - AFCOF II	251	370
Banco do Brasil CDB - Administrative	792	917
Banco do Brasil CDB - GEF Pollinator	799	268
Banco do Brasil CDB - PROBIO II	300	98
Banco do Brasil CDB - CFA	62	30
Banco do Brasil CDB - GEF CERRADO	1,086	1,128
Banco do Brasil CDB - GEF ECOFUNDS	13	12
Banco do Brasil CDB - BNDES	1,547	1,347
Banco do Brasil CDB - Terra do Meio	13	-
Banco do Brasil CDB - FIP	12	-
Banco do Brasil CDB - Novas Fontes Arpa	376	-
Banco do Brasil CDB - KfW ARPA 2nd Phase	5,813	-
Banco do Brasil CDB - GEF Nutrition	667	-
Banco do Brasil CDB - Paiter Surui Carbon	1,579	-
Banco do Brasil CDB - FUNBIO Cities	215	-
Banco do Brasil CDB - FUNJUS Skill Building	103	-
Banco do Brasil CDB - ARPA BID	1,988	-
Banco do Brasil CDB - PROBIO Juruti	159	-
Banco do Brasil CDB - ICCO FOUND	367	-
Banco do Brasil CDB - Fauna Portfolio (Manatees)	39	-
Banco do Brasil CDB - Kayapo	1,941	-
Banco do Brasil CDB - Fauna Portfolio (Blue Ararinha)	1,102	-
Banco do Brasil CDB - Adoption of Parks (OGX FN)	1,322	-
Banco do Brasil CDB - Adoption of Parks (MPX LM)	908	-
Banco do Brasil CDB - RVS Rio da Prata	371	-
Banco do Brasil CDB - Fauna Portfolio (Seismic)	29	-
Itaú CDB - Fauna (Fauna Portfolio)	18	-

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

	31,250	21,834
<b>Investments in fixed income</b>	<b>2014</b>	<b>2013</b>
Banco do Brasil RF LP – CFA	-	99
Banco do Brasil RF LP - GEF BM	417	382
Banco do Brasil RF LP - MPX	18	16
Banco do Brasil RF LP - FIP	-	73
Banco do Brasil RF LP - PROBIO Opportunity Fund	10,847	-
Banco do Brasil RF LP – TFCA	3,556	3,260
	14,837	3,830
<b>Other projects (cont'd)</b>	<b>2014</b>	<b>2013</b>
<b>Pragma Asset Manager</b>		
Itaú Pragma – Kayapó Fund	11,584	13,603
Itaú Pragma – FUNBIO Resources Fund – FRF (ii)	9,882	11,881
Itaú Pragma – FAP (i)	4,233	5,027
Itaú Pragma – FAP KFW (i)	42,372	48,373
	68,070	78,884
<b>Subtotal</b>	<b>172,917</b>	<b>134,403</b>
	<b>372,970</b>	<b>287,883</b>
<b>(a) Breakdown of financial investments abroad at December 31:</b>	<b>2014</b>	<b>2013</b>
Itaú LUX FAP	-	-
Banco do Brasil Frankfurt - KfW FAP	-	-
J. P. MORGAN - NY FAP	22,601	2,257
Itaú Miami – FAP (i)	60,380	63,803
Itaú Miami - FAP KFW (i)	5,113	4,757
	88,094	70,817

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014 In thousands of de reais

#### 9 Fixed assets

##### (a) Composition

	Furniture and fixtures	Machines and equipment	Computer equipment	Leasehold improve-ments	Total
<b>Annual depreciation rates - %</b>	10	10	20	4 to 33	
Total cost	295	191	646	545	1,677
Accumulated depreciation	(238)	(115)	(458)	(184)	(995)
<b>Residual value at December 31, 2012</b>	<u>57</u>	<u>76</u>	<u>188</u>	<u>361</u>	<u>682</u>
<b><i>Changes in 2013</i></b>					
Acquisitions	2	98	3	18	121
Write-offs		(3)			(3)
Depreciation (i)	(14)	(77)	(14)	(149)	(254)
Transfers					-
Total cost	297	286	649	563	1,795
Accumulated depreciation	(252)	(192)	(472)	(333)	(1,249)
<b>At December 31, 2013</b>	<u>45</u>	<u>94</u>	<u>177</u>	<u>230</u>	<u>546</u>
<b><i>Changes in 2014</i></b>					
Acquisitions	5	58	241	61	365
Write-offs		(1)	(1)		(2)
Depreciation (i)	(11)	(15)	(83)	(138)	(247)
Adjustment to cost	(20)	(104)	(143)	-	(267)
Depreciation adjustment	20	74	173		267
Total cost	282	240	747	624	1,893
Accumulated depreciation	(243)	(133)	(382)	(471)	(1,229)
<b>Residual value at December 31, 2014</b>	<u>39</u>	<u>107</u>	<u>365</u>	<u>153</u>	<u>664</u>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

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#### (b) Other information

The depreciation of fixed assets is computed on the straight-line basis at rates which take into consideration the assets' estimated useful lives.

Depreciation recorded as expense in the period amounted to R\$ 4 (2013: R\$ 254).

The gross carrying amount of fully depreciated fixed assets that are still in use is R\$ 1,135 (2013: R\$ 650).

#### (c) Impairment of assets

During the year ended December 31, 2014, management did not identify indicators of impairment of assets other than the amounts recognized in the provision for losses.

#### 10 Suppliers

	<u>2014</u>	<u>2013</u>
Digirax Representação Com. Serv. Equip. de Informática	3	13
Globo Manutenções e Reformas Ltda.	-	3
Cael Serviços e Construções Ltda.	-	3
NTI Distribuidora Importação e Exportação Ltda	5	-
Maia Comércio e Serviços Ltda	70	-
TOTVS S.A.	4	-
	<u>82</u>	<u>19</u>

#### 11 Payroll and labor liabilities

	<u>2014</u>	<u>2013</u>
Provision for vacation and charges	955	722
Salaries	346	299
Withholding income tax payable	195	161
Withholding Contribution of Social Security payable	153	133
Government Employees' Severance Indemnity Fund payable	55	48
Social Integration Program payable	7	6
Other	5	8
	<u>1,716</u>	<u>1,377</u>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014 In thousands of reais

#### 12 Third-party funds linked to projects

##### Changes in project balances

	12/31/2013	Account- ability in progress	Account- ability sub- mitted	Resources used – accounts rendered	Re-resources received	Investment income	Ex-change variation	Other (*)	12/31/2014	Note
ARPA FT and FAP	139,161	-	-	-	25,723	7,654	10,623	(3,005)	180,156	12.1
ARPA 2nd Phase – BNDES	1,303	(305)	(1,863)	(2,169)	2,450	82	-	(506)	1,160	12.1
ARPA 2nd Phase - GEF BM	3,434	(4)	(2,938)	(2,942)	5,649	247	-	(2,599)	3,790	12.1
ARPA 2nd Phase – KfW	4,383	(57)	(10,366)	(10,423)	12,529	277	207	(217)	6,756	12.1
ARPA FT - Operational	0	(25)	(56)	(81)	1,500	14	-	(0)	1,433	12.1
ARPA FT – BID	0	-	(288)	(288)	2,029	16	-	(47)	1,710	12.1
FMA – Environmental Compensation	124,635	(2)	(12,557)	(12,559)	36,167	12,348	-	(2,105)	158,487	12.2
FMA – Trust Fund	21,029	-	-	-	901	2,071	-	(1,205)	22,797	12.2
FMA – Linked Card	293	-	(385)	(385)	900	13	-	108	930	12.2
FMA – Other Sources	7,874	-	-	-	8,734	1,361	-	(1)	17,968	12.2
TFCA	17,296	-	(9,917)	(9,917)	2,402	1,196	-	(1,172)	9,806	12.3
Kayapó Fund	15,192	-	-	-	-	1,708	-	(1,907)	14,993	12.4
Kayapó	744	-	(452)	(452)	1,681	64	-	(96)	1,942	12.4
Adoption of Parks	2,529	-	(203)	(203)	-	229	-	(1)	2,554	12.5
Alcoa – Sustainable Juruti Fund	3,740	-	(568)	(568)	-	290	-	(326)	3,136	12.6
CONJUS Skill building	-	-	(42)	(42)	326	9	-	(190)	103	12.6
Probio – Opportunity Fund	2,667	-	(1,340)	(1,340)	9,407	283	-	(169)	10,847	12.7
Probio II	93	(31)	(539)	(570)	1,251	11	-	(513)	272	12.7
Probio Sustainable Juruti	-	-	(13)	(13)	169	3	-	-	159	12.7
AFCOF II	365	-	(101)	(101)	-	21	-	(40)	245	12.8
Subtotal	344,738	(424)	(41,630)	(42,053)	111,819	27,898	10,830	(13,990)	439,242	

## Fundo Brasileiro para a Biodiversidade - FUNBIO

**Notes to the financial statements  
at December 31, 2014  
In thousands of reais**

**Changes in project balances  
(cont'd)**

	<b>12/31/2013</b>	<b>Account- ability in progress</b>	<b>Account- ability submitted</b>	<b>Resources used</b>	<b>Re-sources received</b>	<b>Investment income</b>	<b>Exchange variance</b>	<b>Other (*)</b>	<b>12/31/2014</b>	<b>Note</b>
<b>Subtotal</b>	<u>344,738</u>	<u>(424)</u>	<u>(41,630)</u>	<u>(42,053)</u>	<u>111,819</u>	<u>27,898</u>	<u>10,830</u>	<u>(13,990)</u>	<u>439,242</u>	
GEF Cerrado	1,109	(32)	(4,173)	(4,206)	4,202	62	1	(112)	1,056	12.9
GEF Pollinators	299		(829)	(829)	1,635	23	-	(287)	840	12.10
Terra do Meio	376		(3,080)	(3,080)	2,789	61	-	(576)	(430)	12.11
Fauna Portfolio – Blue Ararinha	1,481	(1)	(345)	(346)	-	112	-	(145)	1,102	12.12
Fauna Portfolio – Manatees	212	-	(593)	(593)	706	6	-	(106)	225	12.12
Fauna Portfolio (Seismic and Fauna Fund)	328	-	(1)	(1)	43	35	-	(6)	399	12.12
GIZ Anavilhanas	1,241	-	(1,278)	(1,278)	-	44	-	(1)	5	12.13
Novas Fontes Arpa	787	-	(323)	(323)	949	50	-	(1,088)	375	12.14
RedLac Skill Building	592	-	(831)	(831)	748	-	(5)	(284)	220	12.15
CLUA – REDD Finance Study	59	-	-	-	-	-	-	(59)	-	12.16
GEF Nutrition	369	(2)	(404)	(406)	743	39	-	(77)	668	12.17
CFA	120	-	(295)	(295)	447	13	0	(197)	89	12.18
FIP	156	-	(165)	(165)	25	7	-	(11)	12	12.19
RRB - Redd + Readness in Brazil	7	-	(7)	(7)	-	-	-	-	-	-
Ecofunds/BCID	16	-	-	-	-	1	-	1	18	-
Carbono Paiter Fund Carbono Paiter Suruí	942	-	(1,332)	(1,332)	1,978	101	-	(28)	1,661	12.20
Funbio Cities	499	-	(11)	(11)	-	26	-	(305)	208	12.21
ICCO Foundation	-	-	(32)	(32)	385	2	-	4	358	12.22
GEF Sea	-	-	-	-	-	-	-	-	-	12.23
Other	34	-	-	-	-	-	-	(4)	30	-
<b>Subtotal</b>	<u>8,626</u>	<u>(35)</u>	<u>(13,699)</u>	<u>(13,734)</u>	<u>14,650</u>	<u>581</u>	<u>(4)</u>	<u>(3,283)</u>	<u>6,837</u>	
	<u>353,364</u>	<u>(460)</u>	<u>(55,329)</u>	<u>(55,787)</u>	<u>126,469</u>	<u>28,479</u>	<u>10,826</u>	<u>(17,272)</u>	<u>446,079</u>	
Short term	177,981								228,134	
Long term	<u>175,383</u>								<u>217,946</u>	

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

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#### **12.1 ARPA – Amazon Protected Areas Program**

ARPA is the largest initiative to protect the world's rainforests. Its goal is the conservation and sustainable use of 60 million hectares – 15% of the Amazon region – through Conservation Units (UCs). FUNBIO acts as the program financial manager, by carrying out acquisitions and contract activities for the UCs and managing the fund assets, which assures the long-term program sustainability – Transition Fund (FT). This fund consists of FAP (Protected Areas Fund) resources plus new resources from international sources and private donors. Its target is to reach USD 215 million to fund those UCs that are supported by ARPA, with a gradual transition to government funds, which are expected to cover the UCs' total costs by 2039. Now in its second phase (2010 to 2015), ARPA supports the formation of new UCs including over 13.5 million hectares and the consolidation of approximately 32 million hectares in already existing UCs.

2014 highlights:

- The Transition Fund and FAP reached R\$ 181 million, a 30% increase (2013: R\$ 139 million) arising from new donations received from WWF and Anglo American, financial investment income, and exchange variation gains. During 2014, Fund resources started to be used through transfer to the FT – Operational account;
- We received the last R\$ 2.5 million tranche from the contract with Fundo Amazônia/BNDES in the total amount of R\$ 20 million. At the end of the year, the unused balance was approximately R\$ 1 million, to be used in the first fourth months of 2015;
- We received R\$ 5.6 million and used approximately R\$ 3 million from the contract with the World Bank for a total amount of US\$ 15.9 million;
- We received R\$ 12 million and used R\$ 10 million from the contract with the German Ministry for Economic Cooperation and Development (BMZ) entered into with Kfw – Entwicklungsbank (the German development bank) for a total amount of EUR 20 million;
- At the end of 2014, we transferred the first tranche of R\$ 1.5 million from the Transition Fund to FT's operational account. As a consequence, 7 consolidated Conservation Units will plan the use and have access to these funds through FUNBIO;
- During 2014, the Non-Reimbursable Technical Cooperation Agreement entered into with IDB – Inter-American Development Bank, for a total of US\$ 4.5 million, started to be implemented. The agreement provides for the planning and strengthening of the Transition Fund manager under the Amazon Protected Areas (ARPA). By the end of the year, R\$ 2 million and R\$ 288 thousand had been received and used, respectively.

#### **12.2 Operating and Financial Mechanism for Biodiversity Conservation of the State of Rio de Janeiro**

##### **FMA – Rio de Janeiro Atlantic Forest – SEA Agreement**

The Operating and Financial Mechanism for Biodiversity Conservation of the State of Rio de Janeiro, also known as the Atlantic Forest Fund (FMA/RJ), was designed to enhance the environmental investments in the State of Rio de Janeiro and offer new options for the support of protected areas, with agility, efficiency and transparency. Through a partnership with the Secretary of State for the Environment of Rio de Janeiro (SEA-RJ), FUNBIO manages FMA resources arising from the compensation of environmental impacts of productive enterprises, the payment of which is regulated by SNUC - Sistema Nacional de Unidades de Conservação da Natureza (National System of Conservation Units) and other sources.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

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At the end of 2014, FMA had obtained significant environmental compensation resources. 63 enterprises in the State pledged to allocate funds to fulfil their obligations through this mechanism, adding up to commitments of more than R\$ 288 million under Terms of Environmental Compensation Commitment and other sources. At the end of the year, FMA- RJ environmental compensation financial vehicle stated a balance of R\$ 158 million (2013: R\$ 125 million). Resources used in 2014 amounted to approximately R\$ 12.5 million (2013: R\$ 25.3 million), while resources received totaled R\$ 36 million (2013: R\$ 43.5 million).

By the end of 2014, 48 Conservation Units (UCs), including 28 state, 17 local, and 3 federal units, had received support from FMA/RJ, mostly for the purchase of equipment, construction and renovation of infrastructure, development of executive infrastructure projects, purchase of vehicles, contracting of management plans, signage and demarcation of territorial boundaries. Protected areas supported by the mechanism total approximately 487 thousand hectares.

The Trust Fund, a vehicle provided for in the SEA Agreement, was financially established in 2012. It is aimed at providing long-term financial sustainability to those conservation units managed by INEA, by covering their running costs, such as purchase of agreed-upon goods and small services required to implement, manage, monitor and protect each unit. The original financial resources received for this portfolio was R\$ 20.2 million, with a balance of R\$ 22.8 million at the end of 2014. Funds used by UCs under Funbio Linked Card amounted to approximately R\$ 385 thousand in 2014.

In 2013, FUNBIO received the first contributions to the Operating and Financial Mechanism from other sources, in the amount of R\$ 7.8 million. During 2014, contributions received totaled R\$ 8.7 million. The balance of the financial mechanism from other sources, including income of about R\$ 1.3 million, adds up to approximately R\$ 18 million in 2014. No projects have been allocated to this instrument.

FMA/RJ's main activities include purchases and engagement of services for the State UCs, in accordance with work plans prepared by the Environmental Compensation Chamber. Providers are engaged to prepare management plans, executive projects, environmental works and education, among other activities. Purchases include land and sea vehicles, IT equipment, furniture and other items. FMA/RJ also makes payments in connection with the regularization of the legal status of protected areas and provides linked cards, which are recharged to cover small expenditures required to maintain the UCs.

The accountability for this mechanism is available at the FUNBIO website and in annual compliance reports submitted to SEA/RJ.

### **12.3 TFCA – Tropical Forest Conservation Act**

The Tropical Forest Conservation Act (TFCA) results from a bilateral agreement between Brazil and the United States in order to replace debts obtained by the country from the U.S. government with investments in the conservation and sustainable use of forests. More than ten countries from all over the world have entered into similar agreements with the United States. FUNBIO is the executive secretary to the TFCA Account, which receives and allocates funds projects in areas with remnants of the Atlantic Forest, Cerrado and Caatinga biomes. Together, these areas account for approximately 50% of Brazil's territory. The total debt replaced amounted to US\$ 20.8 million.

Since 2011, TFCA has issued five calls for projects, with the resulting support to 82 projects. By the end of 2014, 71 of them had their results monitored by FUNBIO. The theme lines supported are: Protected Areas, Landscape Management, Skill Building, Species Management, Community Projects, Network Strengthening, and Skill Building to Raise Financial Funds.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements at December 31, 2014**

**In thousands of reais**

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During 2014, four new projects that were classified in the last call started to be supported. Additionally, the extension of 16 of the 82 projects directly related with the development of new public policies was approved.

The execution of six projects was completed by December. All of them achieved the proposed targets and anticipated results. In addition to the monitoring through regular technical and financial reports submitted by individual projects, the project activities are also subject to on-site monitoring. This enables FUNBIO to determine, via direct contact with the direction team, the project progress and the status of each planned objective.

During 2014, the TFCA Operating Account received tranches of R\$ 2.4 million (2013: R\$ 9.2 million) and made disbursements of approximately R\$ 9.9 million (2013: R\$ 10.3 million). At the end of the period, available funds amounted to R\$ 9.8 million (2013: R\$ 17.3 million).

#### **12.4 Kayapó Fund**

Equity fund of the "endowment" type created to support the Kayapó organizations in the long term and increase the ability of Kayapó Indigenous Lands to maintain their physical integrity. This is the first of such funds to be supported by the Banco Nacional de Desenvolvimento Econômico e Social – BNDES (National Bank for Economic and Social Development), through the Amazon Fund, in partnership with Conservation International (CI), a joint investment of R\$ 15.5 million. FUNBIO manages the resources, which are intended to support projects developed by indigenous organizations that operate in an area of 10.6 million hectares, the home to approximately seven thousand Kayapó people.

During 2014, two projects developed by indigenous institutions – Associação Floresta Protegida – AFP and Instituto Raoni, for a total of R\$ 440 thousand, were approved to receive support. The "Institutional Strengthening towards Autonomy", submitted by AFP, aims at enhancing the economic and political autonomy of the native communities, by supporting their productive chains and increasing the Kayapó people involvement in planning and performing the association activities; The Instituto Raoni Project, entitled "Support to Actions for the Conservation and Sustainable Development of Indigenous Lands Capoto/Jarina and Menkragnoti", is also focused on institutional strengthening, by supporting the development of subsistence farming activities, income generation, education on the appropriate disposal of solid waste, and revival of cultural aspects by means of the productive chain of native crafts.

At the end of 2014, the Kayapó Fund and the Project operating account added up to R\$ 16.9 million, of which R\$ 14.9 million in the Fund and R\$ 1.9 million in the project operating account, all amounts net of the provision for taxes.

For the second cycle of investments, a total of R\$ 1.8 million will be allocated to support new projects in the Kayapó People Lands, starting 2015. Instituto Raoni, Instituto Kabu and Association Floresta Protegida have submitted one project each. They were approved by the Technical Committee and are pending ratification by FUNAI. Following the ratification, the projects will be submitted to the approval of the Donors Committee. The projects are scheduled to start in the first half of 2015.

#### **12.5 Adoption of Parks**

This type of support was developed in 2011 and seeks voluntary private investments to structure and promote the maintenance of national, state or local Conservation Units (UCs) for conservation of biodiversity. FUNBIO manages the donations and provides purchasing and special contracting, financial control and reporting services. As a consideration for the contribution of funds, donor companies have their sponsorship acknowledged and gain visibility in communication actions.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements

at December 31, 2014

In thousands of reais

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Contracts in effect include:

<u>Park</u>	<u>Area (thousand hectares)</u>	<u>Contractual funds</u>
Marine National Park of Fernando de Noronha	10.9	R\$ 4.3 million - OGX
Lençóis Maranhenses National Park	155	R\$ 3.5 million – MPX/ENEVA

During 2014, the funds contributed by companies OGX and Eneva (formerly MPX) continued to be used for the National Parks of Fernando de Noronha (State of Pernambuco) and Lençóis Maranhenses (State of Maranhão), respectively. The current plan provides for the use of those funds that have already been released by donors, disregarding monies yet to be released.

Since the inception of the project, the following infrastructure works were completed:

- Main works at Lençóis Maranhenses construction of the Riacho do Cedro Bridge, which provides access to Lagoa Azul (Blue Lake, a major tourist attraction in the Park); construction of a sea/land parking lot; remodeling of Posto Avançado de Atins, which includes the Park's accommodation quarters and administrative head offices; refurbishment and maintenance of all vehicles, including boats, automobiles and quad bikes. Such refurbishing and maintenance were key to enable inspection activities.
- At Fernando de Noronha: remodeling and expansion of the administrative head offices, preparation of a project to remodel and expand the researchers' lodging quarters, purchase of goods and maintenance of already existing vehicles and infrastructure.

The program also received a contribution in the original amount of R\$ 300 thousand made by BP Brasil in 2012 to support actions relating to the administration and environmental management of UCs. This project is currently underway.

At the end of 2014, the Adoption of Parks program records a balance of R\$ 2.5 million (2013: R\$ 2.5 million). Funds used to carry out its activities added up to R\$ 203 thousand (2013: R\$ 1.5 million).

### 12.6 Sustainable Juruti Program – Funjus and Conjus

The Sustainable Juruti Fund (Funjus) is an innovative initiative of financial support to the implementation of social and environmental projects at the Municipality of Juruty, State of Pará. Developed by FUNBIO, it is an integral part of the Sustainable Juruti development strategy, which also covers the Consulting forum called Sustainable Juruti Council (Conjus) and Development Indicators, with a base line systematized by the Getúlio Vargas Foundation (GV-CES) methodology in a joint construction with the community.

The year of 2013 marked the beginning of a transition for Funjus. FUNBIO, which has managed the fund since its inception four years ago, started an operational transition which will place Conjus in charge of the selection and implementation of the next calls. To fulfil this transition plan, a 3-month skill building program has been scheduled for the local staff of Conjus, as well as a 18-month monitoring period as from January 2014.

During 2014, the information transmission model under the transition was a training in management tools, divided into 12 modules addressing the following topics: introduction to the fund concepts, council management, executive secretary management, donor management, communications plan, information and document management, selection, contracting, execution, monitoring and assessment, financial planning, and accounting control. Also in 2014, transfers were made in order to institutionalize Conjus and promote the Turtle Conservation Project.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014 In thousands of reais

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The modules included five meetings at Juruti, four of them between May and November 2014. The last one will be held in 2015, at FUNBIO, to present the work of other partners. At the same time, the activities of the new Funjus executive secretary were supervised, with guidance on the procedures and financial management of Funjus' assets. FUNBIO is the depository of Funjus' resources, responsible for safekeeping and managing investments, making disbursements to Conjus as requested. At the end of 2014, the Funjus balance is R\$ 3.1 million (2013: R\$ 3.7 million).

#### 12.7 Probio II – National Project for Public-Private Integrated Actions for Biodiversity

The initiative aims to mobilize productive sectors to adopt principles and practices for conservation and sustainable use of biodiversity in their business activities. FUNBIO promotes actions to engage the private sector to boost the transformation of models of production, consumption and occupation of the country. The project has funds from the Global Environment Facility (GEF), through the World Bank, which allocated a total of R\$ 22 million to partners in the initiative.

The Project was completed in 2014, with actions in almost five million hectares (equal to the sum of the territories of Holland and Jamaica), focused on the Amazon, Atlantic Forest and Pampa biomes. Probio II, implemented in 2008, partnered with the private sector in order to apply biodiversity-friendly practices and strategies in six areas: South of Bahia, Juruti (State of Pará), Mato Grosso do Sul, Rio Grande do Sul, Vale do Ribeira (SP), and Resex Tapajós-Arapiuns (Pará).

The strategy adopted was to focus on those territories with more than 100 thousand hectares and multiple economic activities, such as agriculture, cattle raising, forestry, extractivism, forest and fauna management, located in priority areas for the conservation of biodiversity. To ensure the sustainability of the actions in the medium and long term, different agendas were pursued, including the strengthening of production chains, stimulation of native species forests, production of organic food, new financial arrangements contemplating the environmental component, biodiversity and health.

Irrespective of the completion of the Project, for the next three years, FUNBIO will continue to support seven subprojects (the related funds having been already disbursed) concerning production chains in the six territories. Furthermore, monitoring actions will be carried out to evaluate the outcomes. To support this work, Probio II can take avail of the Opportunity Fund, a vehicle designed to include the conservation of biodiversity in private sector initiatives.

At the end of 2014, the Probio Project balance yet to be disbursed during the contract "grace period" was R\$ 272 thousand. The Opportunity Fund balance amounted to R\$ 10.9 million to be allocated to the seven subprojects, while matching funds of approximately R\$ 47 million have already been pledged.

The following partners have been engaged to carry out the projects in the territories covered by Probio's Opportunity Fund:

<b>Territory</b>	<b>Partners</b>
South of Bahia (BA)	Instituto Arapyaú
Mato Grosso do Sul	TNC, Adecoagro
Pampa region (RS)	SENAR-RS, Pecuaristas, Banco do Brasil, IBAMA-RS
Juruti (PA)	Alcoa, Funjus, Conjus
Tapajós (PA)	Projeto Saúde e Alegria, ICMBio, Tapajoara, Natura
Vale do Ribeira (SP)	Votorantim Industrial
South of Bahia and Tapajós	Fiocruz

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements at December 31, 2014 In thousands of reais**

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#### **12.8 Afcof II – Atlantic Forest Conservation Fund**

The Atlantic Forest Conservation Fund is a Project under FUNBIO management designed to support the Atlantic Forest Protection Project II, which aims to contribute to the protection, sustainable management and restoration of the Atlantic Forest. AFCoF resources were provided by KfW Entwicklungsbank (the German development bank). The Atlantic Forest Protection Project II is part of the International Climate Protection Initiative (IKI) of the Ministry of Environment, Nature Conservation and Nuclear Safety of Germany (BMU), which also provides technical support from the German Agency for Technical Cooperation (GIZ).

During 2014, the completion phase of the project was carried on, when final funds obtained for acquisitions and contracts pursuant to the Ministry of Environment (MMA) were reallocated and used. The procedures required by law to create new Conservation Units (UCs), in an area of approximately 15 thousand km<sup>2</sup>, were complied with. A separate unit was set up to monitor and manage information on biodiversity matters, with training provided by MMA professionals.

Staff rotation among the projects was instrumental to share lessons learned. Training and online skill building trainings were provided using the Payment for Environmental Services (PSA) learning platform, which is supported by the project. Since the inception of AFCoF, in 2010, a total of 14 PSA pilot projects were selected and contracted in the fields of carbon fixation, quantitative and qualitative water conservation, as well as biodiversity protection.

The project balance at the end of 2014, of R\$ 245 thousand (2013: R\$ 365 thousand) will be allocated to related initiatives yet to be determined by the partners.

#### **12.9 GEF Cerrado – Sustainable Cerrado Initiative**

The Sustainable Cerrado Initiative aims at helping enhance the value of the Cerrado area through conservation, restoration, recovery and sustainable management activities. FUNBIO is the manager of the “Policies and monitoring of the Cerrado biome” subproject, one of the four components of this initiative, which is intended to develop a public policy structure for the conservation of biomes of at least four priority regions. The initiative target is to reach 1 million additional hectares of protected biome, with an investment of US\$ 4 million over four years. The actions are implemented by the Ministry of Environment (MMA) and funded by Global Environment Facility (GEF), through the World Bank. During 2014, support was provided to the following events, among others: IV Chapada dos Veadeiros Seed and Seedling Fair, at Alto Paraíso de Goiás; Cerrado Fruit Exhibit, in Porto Alegre and Goiás; 13th ordinary and 3rd special meetings of the Cerrado Initiative Council (CONACER), when the Cerrado Bill (PL) was presented and discussed; and VIII Meeting and Fair of Cerrado People, which provided inputs for discussions about PL.

In addition, 21 consulting firms were engaged to map the use of the land and the biome native vegetation, identify the population of plant types similar to Manihot and Arachis at UCs, design the Cerrado database for the biodiversity portal, prepare videos to disseminate the Initiative, in order to support the National Action Plan (PAN) developed by ICMBio for endangered species. Additionally, fire prevention and fight equipment are being acquired, as well as vehicles and communication systems for the Conservation Units and lab material for the Reference Centers for the Recovery of Degraded Areas (CRADs).

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

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FUNBIO's work is an integral part of the Sustainable Cerrado Initiative which, since 2010, has created about 390 thousand hectares (equal to 39.90% of the 1 million target) of protected areas. Taking into account the efforts made to create UCs, the target will be accomplished and exceeded, with the proposition of a further 2,102.96 hectares in new Cerrado UCs, considering the two studies to expand the State Parks of Serra do Integrante and Rio Preto, promoted in partnership with the Instituto Estadual de Florestas de Minas Gerais (Minas Gerais State Forest Institute).

In 2014, funds obtained and used in the project reached R\$ 4.2 million (2013: R\$ 1.3 million), while the balance of funds in the project operational account at the end of the year was R\$ 1.0 million (2013: R\$ 1.1 million).

#### **12.10 GEF Pollinator Program – Conservation and Management of Pollinators for Sustainable Agriculture through an Ecosystem Approach – Brazil Pollinators**

This is an initiative of the United Nations Food and Agriculture Organization (FAO), supported by the United Nations Environment Programme (UNEP) and funding from Global Environment Facility (GEF).

The project aims to build a base of integrated knowledge on pollination services; promote effective conservation and sustainable use of pollinators in agriculture; expand the ability of farmers and small landowners to conserve and use sustainably pollination services; and promote public policies and actions of public awareness.

The initiative is carried out in seven countries (Brazil, South Africa, Ghana, India, Kenya, Nepal and Pakistan). In Brazil, it was named "Brazil Pollinators". The Ministry of Environment (MMA) is responsible for the technical coordination, and FUNBIO is in charge of the financial management. The initial completion date of 2014 has been changed to 2015.

The third and last Letter of Agreement (LoA) was signed in May 2014 and since then a number of field activities have been performed. The project supported two symposia on the pollination and pollinators at the Brazilian Entomology Congress held in Goiás, and the Brazilian Apiculture Congress in Belém.

The 6th and last meeting of the project International Committee was held in Rome in November. At that meeting, results obtained and lessons learned by all initiative member countries were shared.

During the final stage of the project, efforts are focused on completing those activities associated with skill building, public awareness and disclosure of results. Two significant partnerships were formed: the first one with the National Rural Learning Service (SENAR) and PUC University in Rio Grande do Sul to deliver a pilot course on pollinator sustainable management for farmers and rural technicians. The second partnership was formed with the "No Bees, No Food" initiative to run an awareness campaign targeted at farmers and the population in general on the relationship between pollination and foods, as well as the risk that pollinators may be extinguished.

At the end of 2014, the cash balance of this project amounts to R\$ 841 thousand (2013: R\$ 298 thousand). These monies will be allocated to the above mentioned activities.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

---

#### **12.11 Terra do Meio Project – Consolidation of Conservation Units in the Terra do Meio Region**

The Terra do Meio Project's mission is to contribute to reducing deforestation and preserving the biodiversity in the Amazon region, based on the support to the consolidation of 11 Conservation Units (UCs) in the so-called Terra do Meio (Middle Land). Located in the central portion of the south of State of Pará, the region suffers from three major fronts of anthropogenic pressure: the road Itaituba-Altamira (a section of the Trans-Amazon road) to the north, the Cuiabá-Santarém (BR-163) to the west and the most exposed agricultural frontier in the Amazon biome, to the southeast. The mosaic is part of a vast territory of contiguous protected areas, covering 28 million hectares, and that makes the region the 2nd largest biodiversity corridor in Brazil.

Activities carried out in 2014 include: signage of RESEX Rio Xingu; three inspection actions; acquisition of equipment for protection activities; maintenance of boats and land vehicles; purchase of equipment and structuring of the support base for the forest fire fight squad; and the purchase of equipment associated with Production Arrangement activities.

Other activities carried out during the year include: two meetings to mobilize management councils of UCs; 15 community meetings; one participative planning meeting; one workshop for local workers; two meetings to draft commitment statements; seminars and workshops to prepare Protocols to monitor the sustainable use of natural resources; course on the collection of local monitoring data at the communities; and actions to strengthen the production chains in APA Triunfo do Xingu (lumber production) and ESEC Terra do Meio (flour production).

As the project term will not be extended, certain acquisition and contracting processes have been transferred to the ARPA Program – for which FUNBIO also acts as financial manager – whose goals are quite similar to Terra do Meio's, considering that seven of the 11 UCs are supported by the program.

At the end of 2014, the project balance, to be reimbursed to FUNBIO, amounts to R\$ 429 thousand, given the decision made not to extend the contract term. Resources used during the year totaled R\$ 3 million (2013: R\$ 1 million). As a subsequent event, FUNBIO has already sent its accounts to the European Union and is waiting for a reimbursement of R\$ 835,133.00 (equal to EUR 275,458.00).

#### **12.12 Fauna Brazil Portfolio**

The Portfolio of Wildlife Conservation and Fisheries Resources Brazilians - Brazil Fauna Portfolio is a financial mechanism that receives funds from criminal sanctions, environmental administrative fines, donations, sponsorships and other sources. It is the result of a partnership with IBAMA, ICMBio and Federal Prosecutors, intended to finance programs and projects for the conservation of endangered Brazilian fauna.

Since its inception in 2007, the Portfolio has supported the execution of projects relating to the preservation of endangered Brazilian fauna, such as reef fishes, sea turtles, marine mammals (including porpoise, humpback whale and manatee), mid- and large-sized cats in the Northern Rondônia region, purple-face parrot and blue ararinha (macaw). At the end of 2014, the consolidated balance of the Fauna Fund and Seismic Project is R\$ 399 thousand, including R\$ 43 thousand received.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

---

After funding the transportation of blue ararinhas from Spain and Germany to Brazil, the species conservation project named Ararinha in the Wild – in partnership with ICBMrio and SAVE Brasil and funds from company Vale – received a great news in 2014: the birth of two babies in captivity. No blue ararinha babies had been born in Brazil for 14 years; thanks to the project, the development of the babies is being closely monitored by experts. In 2014, resources used amounted to R\$ 346 thousand (2013: R\$ 1.4 million) and the project operating account balance is R\$ 1.1 million at the end of the year (2013: R\$ 1.4 million).

The Potiguar Basin Manatee Monitoring Project, that was the result of a contract entered into with Petrobras and the Centro de Mamíferos Aquáticos (Center for Aquatic Mammals – CMA/ICMBio) to comply with environmental license conditions, performed in 2014 the second and last stage of the aerial census in order to carry on the research to ascertain the distribution, estimate the population and monitor manatees at the Potiguar coast. The aerial survey methodology associated with remote monitoring through satellite telemetry enabled the project to accomplish important goals in identifying the occurrence areas and habitats of marine manatees, a key input to increase the existing knowledge about this endangered species. During 2014, funds used amounted to R\$ 580 thousand (R\$ 2013: R\$ 586 thousand) and the balance of the operating account totaled R\$ 225 thousand at the end of the year.

#### **12.13 GIZ Anavilhanas Project**

This project is funded by the German Technical Cooperation Agency (GIZ) and its focus is the construction of a floating headquarters for the Anavilhanas National Park, at the Negro river in the Amazon, to be managed by ICMBio.

The main goal of this initiative, that was formalized in December 2012, is to build an innovative floating unit, with distinctive structures and using alternative energy sources, such as solar energy. The floating unit purpose is to allow for public activities and disseminate the Conservation Units that comprise the Rio Negro Mosaic.

FUNBIO has carried out a number of activities since the inception of the project, including: obtaining the construction prior license, preparation of executive projects, company contracting process to develop the final floating unit design, and obtaining price quotations for the construction and assembly services required.

The floating unit was completed in 2014. Steps are currently being taken to donate the equipment to the State of Amazonas, which will be responsible for its maintenance and operation.

Investments in this project in 2014 amounted to R\$ 1.3 million, corresponding to virtually all funds available.

#### **12.14 Commitment to Amazon – ARPA for Life – New Sources**

The ARPA for Life project was designed to develop and implement a new funding strategy for the ARPA (Amazon Protected Areas) program. Under this model, those amounts already deposited in the Protected Areas Fund (FAP) are increased by private, bilateral and multilateral investments, giving rise to a transition fund. The latter will enable the gradual increase of public resources invested in UCs, over 25 years, until such time as the program is financially sustainable.

The initiative was launched during Rio+20 and brings together WWF, FUNBIO, Linden Trust for Conservation, Gordon and Betty Moore Foundation, Ministry of Environment (MMA), ICMBio, with the support of all other ARPA partners. Fund raising targets are determined based on cost estimates, using actual program data collected and structured by FUNBIO since the formation of ARPA in 2003, and data from the execution of ICMBio. The calculations are detailed in the “How much does ARPA cost?” publication authored by FUNBIO’s and WWF’s technical staff.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

---

Compensation funds for the States of Pará, Rondônia, Amapá and Amazonas continued to be developed in 2014. Fund models for Rondônia and Pará were validated. A new institutional and financial arrangement was designed for the Program (flows, processes and governance), to be adopted upon closing, when the Transition Fund meets its USD 215 million target and FUNBIO enters into contracts with all sponsors. To this end, a strategy was developed and pursued to raise Brazilian private resources for the ARPA Program.

A workshop to structure the operational planning for the first drawing from this fund was carried out in 2014, contemplating R\$ 8.9 million allocated to the most developed units: PE Cantão (TO), Rebio Jaru (RO), Resex Rio Xingu (PA), Parna do Juruena (MT/AM), Resex Arapixi, Resex do Rio Jutaí, and Mosaico do Apuí (AM).

A further workshop was conducted in Brasília to identify bottlenecks and strengths of the ARPA Program in the different States. Topics addressed during this workshop included the States' technical, managerial, policy and financial requirements, based on discussions with all environment secretaries that are partners in the Program, in addition to WWF, MMA and FUNBIO.

During 2014, resources received and used amounted to R\$ 949 thousand and R\$ 1.4 million, respectively, taking into account the amounts allocated to reimburse FUNBIO's staff.

#### **12.15 RedLAC Skill Building Project for Environment Funds**

The project aims to strengthen the funds in its operation and use of innovative financial mechanisms that reduce dependence on donations and diversify funding sources. The project includes Latin America, Caribbean and Africa funds, promotes the sharing of experiences, systematization of case studies and best practices, construction of methodologies by working groups, and pilot projects to test new conservation mechanisms.

This was the project's fourth and last year, when two additional skill building workshops were delivered. The first one was held in Cameroon, Africa, and addressed in particular the mining industry. This meeting was part of the program of the IV CAFÉ (the African fund network) Meeting. The second and last workshop under this program was delivered in Guayaquil, Ecuador, as part of the XVI RedLAC Meeting and focused on the case study method. At that time, fund participants studied their respective institutions and projects and made a field trip to the Galapagos Islands.

Also in 2014, two mentoring experiences between environment funds were completed. Under this model, those funds that have attained a more consolidated, experienced status support a given requirement from a less experienced fund. FUNBIO helped to structure Mozambique's Biofund financial procedures.

All contents that were developed over the project four years of existence were translated into English, Spanish and French and are available at FUNBIO and RedLAC websites. The next step is to launch a web platform to make available both this material and future references produced by RedLAC and African fund members of the CAFÉ network.

The Project co-funded five pilot projects to test innovative financial mechanisms intended to connect the funds to new funding sources. One of the major outcomes of this initiative is the formation of CAFÉ, the African environment fund network, which is currently working with RedLAC on a new effort to strengthen funds located in both regions. This effort is scheduled to start in 2015 and end in 2018.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements at December 31, 2014 In thousands of reais**

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During 2014, investments amounted to R\$ 831 thousand and the operational account balance was R\$ 221 thousand at the end of the year.

#### **12.16 CLUA – Analysis of Incentives and Financing for the Control of Deforestation in Brazil**

The project purpose is to analyze the political and financial dimensions of several Brazilian States regarding deforestation control. Although the main focus is placed on the Amazon, the Southeast and Midwest regions were also investigated, considering both their existing policies and those under implementation. The goal is to identify complementary and replicable policies practices outside their original contexts, which create incentives for deforestation control.

In 2013, the preliminary report that mapped various state policies and their local and regional impacts was completed. This analysis served as the basis for seeking financial options to encourage large-scale investment in Amazonia.

In 2014, FUNBIO submitted its accounts for the project.

#### **12.17 GEF Nutrition – Conservation and Sustainable Use of Biodiversity for Improved Nutrition and Human Well-being**

The project aims at promoting native species with high nutritional value which, for cultural reasons, are lacking from, or seldom present in, the Brazilian daily meals. Besides promoting scientific knowledge on these species, the project will focus on the dissemination of information and public policies, minimum prices and introduction of Brazilian biodiversity products in school meals and government meal programs.

The project, in partnership with Biodiversity International and funding from the Global Environmental Facility (GEF) through the United Nations Food and Agriculture Organization (FAO) and United Nations Environment Programme (UNEP), was launched in the second half of 2012. FUNBIO is in charge of managing the funds for the Brazilian project.

In 2014, scholarship students engaged by the project received training in the use of FAO biodiversity data tool. Two important events were held by MMA involving the GEF Nutrition and GEF Cerrado projects: one of them focused on the dissemination and tasting of recipes based exclusively on Cerrado species, the other one designed to foster the integration of Cerrado inhabitants.

Consultants were engaged to develop, with MMA, project dissemination materials and information on national partnerships. Education and research institutions responsible for research on the nutritional value of those native species that were selected by the project (e.g. pequi, bacuri, araçá, umbu and gabirola) started to be hired and receive financial resources.

In September, a supervision mission of donors was held in Brasília, in addition to a meeting of the National Committee for the project. Members of this Committee made a field visit to project undertakings carried out in partnership with the Goiás Federal University. In late 2014, the Project International Committee met in Sri Lanka to discuss the results obtained by the four countries that are part of the project so far: Brazil, Kenya, Turkey, and Sri Lanka.

During 2014, investments in the project totaled R\$ 483 thousand and receipts amounted to R\$ 743 thousand. The operating account balance is R\$ 668 thousand.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements at December 31, 2014 In thousands of reais**

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#### **12.18 Conservation Finance Alliance – CFA**

CFA is a global network that contributes to the sharing of knowledge and best practices in finance conservation, by conducting meetings, debates, research and publications.

At the end of 2014, CFA had 590 voluntary members in 109 countries. Membership was increased by 150 new members who joined CFA in that year only, representing the largest growth since FUNBIO took charge of the project Executive Secretary, in 2008.

CFA launched four new studies on conservation finance: Supporting biodiversity conservation ventures: Assessing the Impact Investing sector for an investment strategy to support environmental entrepreneurship (February/2014); Conservation Trust Funds Investment Survey 2014 - CTIS 2013 (September/2014); Sustainable Financing of Protected Areas: Conservation Trust Funds and Projects: Comparative Advantages (November/2014); and Practice Standards for Conservation Trust Funds (December/2014), for a total of 16 studies conducted since the network inception in 2002.

In May, during the 5th GEF Meeting in Cancun, Mexico, CFA organized a side event around the "Environmental Funds and Conservation Finance" topic, when preliminary versions of the studies launched in the second half of 2014 were presented.

In the ensuing months, the CFA Executive Committee and Secretary focused on the preparation of the 6th edition of the IUCN's World Congress on Parks, held in Sydney, Australia, in November. CFA was invited to lead the discussions about the conservation finance topic during the Congress and to take part in the expert group for the World Commission on Protected Areas (WCPA). The network had its own stand in the event, the agenda of which included debates, panels, workshops, presentations and publication launching.

FUNBIO will continue to serve as CFA's Executive Secretary until June 2015, at which time the entity will migrate to a new structure and governance model. All studies that have been already presented by the network are available at [www.conservationfinance.org](http://www.conservationfinance.org)

CFA's operating account balance is R\$ 89 thousand at the end of 2014.

#### **12.19 FIP – Forest Investment Program of the Climate Investment Funds**

The Forest Investment Program (FIP) of the Climate Investment Funds (CIF) supports efforts to reduce deforestation and degradation and promote sustainable forest management to reduce emissions and enhance forest carbon stocks. In Brazil, FIP supports the Investment Plan of Brazil, which promotes coordinated actions in the Cerrado biome.

The project prepares the Brazilian proposal to the World Bank to raise approximately US\$ 70 million, including donations and loans. Since its inception in 2012, meetings have been held with a number of ministries and civil society representatives to discuss GIP's four lines of action in Brazil: the ABC plan (low-carbon agriculture); Rural Environmental Registry (CAR); early fire warning system; and the forest inventory of the biome.

In addition to public debate workshops, several actions were taken to identify, organize and systematize data and information from state and federal government agencies and other entities, in particular to prepare plans for the individual States, including technical field visits. The significance of the participative process in preparing projects is to be highlighted, as it sheds light on requirements, opportunities and challenges concerning the players involved.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

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At the end of the year, the project accountability was in progress with respect to the total investment of US\$ 250 thousand.

#### **12.20 Paiter Surui Fund**

The Paiter Surui Fund is a financial mechanism aimed to deploy the Management Plan of Sete de Setembro Indigenous Land, through principles of good governance and transparency, where indigenous representative councils actively participate in decisions. The funds from the sale of carbon credits and resources from other sources will be an integral part of the Paiter Surui Fund, which has FUNBIO as responsible for its design and financial management.

The Surui Indians fight for the conservation of its natural resources, and in the last decade, led by Almir Surui, they developed a strategic 50-year plan for the conservation, protection and sustainability of their lands. To fund this plan, they developed a REDD+ carbon project and a fund to receive resources from the sale of credits, and funds from other sources. The fund, designed and managed by FUNBIO, finances projects proposed by the associations of the Surui people.

During 2014, disbursements were made to the associations and two training courses were provided: one of them to Associação Metareilá, addressing fund management tools, and the other one targeted at native Brazilians associations, addressing community project management tools.

All credits relating to the first verification period were sold, of which 170 thousand VCUs (Verified Carbon Units) to Natura's voluntary compensation of GHG, and 75 thousand VCUs to The Carbon Neutral Company Limited, with a view to neutralizing GHG emissions in connection with the 2014 FIFA World Cup in Brazil.

The project contributes to the consolidation and reach of proposals and targets under the National Policy for Climate Change (PNMC) and Action Plan for the Prevention of Control of Amazon Deforestation (PPCDAM). At a regional level, the project objectives are in line with the Plan for the Prevention and Control of Deforestation in the State of Rondônia.

Investments and receipts in 2014 amounted to R\$ 1.3 million and R\$ 1.9 million, respectively. At the end of the year, the fund operating account balance is R\$ 1.6 million.

#### **12.21 Sustainable Cities Fund – FCS**

The study, which is funded by the Latin America Regional Climate Initiative (LARCI), assesses the feasibility, design and implementation of a mechanism to finance the environmental and climate agenda in Brazilian urban areas, in order to create the Sustainable Cities Fund.

Cities play a key role in the mitigation of greenhouse gases (GHG) and adaptation to climate changes and related impacts. However, both public and private investments have been made bearing in mind an infrastructure which does not include social, climate and environment variables. Changing such investments depends also on the creation of new financing mechanisms that would provide easier access to existing funds and raising of new funds to support urban agendas in the long run.

In this connection, since 2013 the project has undertaken the identification of demand and offer of current funds available by sector, design of a proposed finance and legal mechanism, and assessment of the interest of potential donors in putting the mechanism into practice. In its early stage, FCS will be incubated by FUNBIO.

## **Fundo Brasileiro para a Biodiversidade - FUNBIO**

### **Notes to the financial statements**

**at December 31, 2014**

**In thousands of reais**

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In 2014, a diagnosis was made of players, agendas and financing environment of the Brazilian urban agenda, to ascertain the potential for a private finance mechanism for cities. Identifiable trends in the agendas and priority topics were also mapped. The analyses were conducted on the basis of literature research and, more importantly, interviews with key players associated with the sustainable city topic.

The priority topic diagnosis was validated at a workshop held in Rio de Janeiro with the key urban agenda players. FCS partnered with Instituto de Urbanismo Pereira Passos (IPP) to identify the demand for financing under the inclusive economy topic, based on local businesses in Rio de Janeiro slums. This activity has potential to be included in the pilot project.

Next steps include the fund feasibility analysis, risk mapping, and completion of the mechanism initial design, encompassing legal, finance, governance, management and administration matters, in addition to validation and adjustments, in coordination with the key players. A road show will be launched to raise funds and get the fund on stream.

Investments in this initiative totaled R\$ 316 thousand in 2014.

#### **12.22 REDD+ at UCs – Statement of Forest Carbon Credits at Resex Tapajós-Arapiuns**

The REDD+ Project at UCs – Statement of Forest Carbon Credits at Resex Tapajós-Arapiuns is the result of a partnership of FUNBIO, CEES (Center for Environment, Economy and Society of the Columbia University), Biofíllica and ICMBio, with a € 250,000.00 funding from the ICCO Foundation. The project objectives are to implement a statement of Forest Carbon, using the Protected Area Credits system of the Rainforest Standard (The RFSPAC™), to provide an alternative option to finance the activities under the Management Plan for the Tapajós-Arapiuns Extractivism Reserve.

In late 2014, FUNBIO received the first tranche under this facility, in the amount of R\$ 385 thousand.

#### **12.23 Protected Sea Waters Project - GEF MAR**

The project was designed to support the creation and implementation of a representative, effective system for protected marine and coastal areas (AMCPs) to try and reduce the loss of biodiversity. It is a wide-ranging action plan, capable of integrating several agendas intended to promote marine and coastal conservation. This is a GUNBIO initiative in conjunction with the Ministry of Environment (MMA), Ministry of Mines and Energy (MME/Petrobras), funded by the Global Environment Facility (GEF) via World Bank. The primary target is to create and consolidate 120 thousand km<sup>2</sup> of protected marine areas. The percentage of protected areas in Brazil would then increase from 1.5% to 5%.

GEF Mar total worth approximates US\$ 116 million, including a GEF investment of US\$ 18.2 million, US\$ 20 million from Petrobras and matching funds from the company in the form of economically measurable goods and services, which reach an additional US\$ 70 million. Matching funds will also be contributed by MMA and ICMBio.

The project exemplifies the involvement of the private sector and the government commitment to preserve the marine biodiversity. The World Bank took it as a model for the Global Partnership for Oceans (GPO), an increasing alliance comprising more than 100 governments, international entities, private sector entities and civil society groups, including FUNBIO, that are committed to the conservation of oceans.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

In early 2014, the first workshop was conducted to evaluate the demands of Conservation Units (UCs) and research centers, to inform the preparation of annual operating plans that detail and required activities and resources to implement the project.

Negotiations relating to the contract terms, drawing conditions and project details were conducted by the World Bank with the involvement of all partners. During 2014, a Donation Agreement between FUNBIO and the World Bank was executed, as well as Technical Cooperation Agreements between FUNBIO and MMA, and between FUNBIO and ICMBio, thus allowing the project to become effective before the end of the year. No funds had been received by the end of 2014.

#### 13 FUNBIO Resources Fund

The FUNBIO Resources Fund - FRF intends to complement the cash needs of the institution when necessary. The strategic direction of the Board is to decrease the dependence of the institution on the FRF.

In 2013, as occurred in fiscal year 2012, FUNBIO achieved a balance between expenses and income, and needed not resort to the FRF.

The quest for financial sustainability of the organization continues with the increased number of projects and rationalization in the use of resources generated. FRF ensures the continuing activities of FUNBIO at times which may require the investment of own funds. The management of FRF assets is monitored by the FUNBIO Asset Management Committee and managed by Pragma Gestão de Patrimônio.

	<u>2014</u>	<u>2013</u>
<b>At January 1</b>	14,573	14,164
Income for the year	1,406	375
Gestão Pragma	(6)	(4)
Adjustment to provision for income tax	(230)	37
Redemptions during the year	(710)	-
	<u>15,033</u>	<u>14,573</u>

#### 14 Reimbursement of projects

	<u>2014</u>	<u>2013</u>
<b>Projects</b>		
BNDES - Arpa 2nd Phase	505	439
FMA - SEA Agreement	1,245	1,363
KFW - Arpa 2nd Phase	255	2,340
GEF BM - Arpa 2nd Phase	2,580	680
Probio II	605	716
Terra do Meio	404	500
GEF Cerrado	93	191
GEF Pollinators	116	121
RedLac Skill Building	274	147
TNC USAID	-	76
Arpa new sources	1,083	539

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

	<u>2014</u>	<u>2013</u>
TNC UK	-	199
Sustainable Dialogues	-	158
Surui Carbon	-	78
CFA	188	109
Cap Trade	-	82
CLUA – REDD Finance Studies	59	97
FIP	11	15
Kayapó Fund	-	12
FUNBIO Cities Project	305	54
GIZ Anavilhanas	-	136
GEF Nutrition	73	34
TFCA	-	30
Klabin Territory	-	57
Fauna Portfolio - Manatees	-	75
Skill Building -Funjus/Conjus	183	-
ARPA FT - BID	185	-
Juruti Pilot Fund	7	-
Kayapó	96	-
Other	-	67
<b>Total</b>	<u>8,267</u>	<u>8,312</u>
<b>15 Administration fee</b>		
	<u>2014</u>	<u>2013</u>
<b>Projects</b>		
TFCA	1,179	1,181
AFCOF II	40	197
Fauna Portfolio – Manatees	118	132
Fauna Portfolio – Blue Ararinha	145	106
GEF Pollinators	163	160
Terra do meio	185	94
Fauna Portfolio Fund	3	1
CFA	6	0
Adoption of Parks	-	48
Paiter Surui Carbon Fund	22	8
	<u>1,861</u>	<u>1,927</u>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements

at December 31, 2014

In thousands of reais

#### 16 Services provided

	<u>2014</u>	<u>2013</u>
<b>Projects</b>		
Juruti Fund – Alcoa	-	214
SEMA – PR	-	297
Klabin Celulose	-	158
Instituto Semeia	-	30
WWF Brasil	31	36
Sirênios	147	
Fundação Bioguiné	193	-
	<u>371</u>	<u>736</u>

#### 17 Financial result, net

	<u>2014</u>	<u>2013</u>
Exchange variation income	62	111
Financial investment income	41	28
<b>Financial income</b>	<u>103</u>	<u>139</u>
Exchange variation expenses	9	49
Banking fees	6	7
Tax on Financial Transactions (IOF)	6	2
<b>Financial expenses</b>	<u>21</u>	<u>58</u>
	<u>82</u>	<u>81</u>

#### 18 Insurance coverage

It is the Entity's policy to purchase insurance coverage for those assets exposed to risks for amounts that are deemed sufficient to cover potential claims, considering the nature of its activities. The risk assumptions adopted, given their nature, are outside the scope of an audit of financial statements, and accordingly were not analyzed by our independent auditors.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

### Notes to the financial statements at December 31, 2014

In thousands of reais

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At December 31, 2014, the Entity had the following main insurance policies purchased from third parties:

<u>Line</u>	<u>Insured amount</u>
Fire – fixed assets	1,000

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Rosa Maria Lemos de Sá  
General Secretary

Aylton Coelho Neto  
Planning and Management Officer

#### Technical Officer

Daniele Soares dos Santos Seixas  
Contadora CRC-RJ - 095.266/0-0