

Fundo Brasileiro para a Biodiversidade – FUNBIO

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent Auditor's Report on the financial statement of
"Certain Projects Managed by Fundo Brasileiro para a
Biodiversidade – FUNBIO"

January 01 to December 31, 2017

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Independent Auditor's Report on the financial statement of Certain Projects Managed by Fundo Brasileiro para a Biodiversidade – FUNBIO

To the
Management of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO
Rio de Janeiro – RJ

Opinion

We have audited the financial statement of Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (“Projects”), managed by Fundo Brasileiro para a Biodiversidade – FUNBIO (“Entity”) and funded by different sponsors, for the period from January 01 to December 31, 2017, and a summary of the significant accounting policies and other explanatory information.

In our opinion, the financial statement presents, in all material respects, the receipts and payments made during the period from January 01 to December 31, 2017, in accordance with the accounting policies described in Note 3.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statement” section of our report. We are independent of the Projects in accordance with the relevant ethical requirements set forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

As described in Note 3, the financial statement of the “Projects” was prepared on a cash basis of accounting, in conformity with the International Financial Reporting Standard on the cash basis of accounting. Under the cash basis of accounting, transactions and events are recognized only when funds (including fund equivalents) are received or used by the Entity to make payments, and not when they result, earn or originate from rights and obligations, even though no cash movement has occurred. Our opinion is not modified with respect to this matter.

Responsibility of Management and those charged with governance for the financial statement

The Entity’s Management is responsible for the preparation and fair presentation of this financial statement in accordance with the International Financial Reporting Standards as well as the provisions of the “Projects” and for such internal control as it determined as necessary to enable the preparation of this financial statement free from material misstatement, whether due to fraud or error.

In preparing the financial statement, Management is responsible for assessing the Projects, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in the preparation of the financial statement unless Management intends to discontinue the Projects.

Those charged with the Projects’ governance are responsible for overseeing the financial reporting process.

Auditor’s responsibilities for the audit of the financial statement

Our objectives are to obtain reasonable assurance about whether the financial statement taken as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor report expressing our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, collusion, forgery, intentional omissions or misrepresentations;

- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Projects' ability to continue in operation. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Projects to cease to continue in operation;
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, April 26, 2018



Ana Cristina Linhares Areosa

CT CRC RJ-081.409/O-3

Grant Thornton Auditores Independentes

CRC SP-025.583/O-1 "S" – RJ

Financial statement of Certain Projects managed by Funbio

(In thousands of Brazilian reais - R\$)

Projects	Note	Balance at 12/31/2016	Funds received	Income from short-term investments	Finance costs	Exchange	Exchange rate changes	Others	Transfers (Funbio income)	Transfer	Disbursements/ Internal transfer	Balance at 12/31/2017
Kayapó	4.I(b)	173	-	23	-	-	(1,749)	-	(114)	3	1,913	249
Kayapó Fund	4.I(a)	18,643	-	2,168	(393)	-	-	-	-	-	(1,913)	18,505
Adoption of Parks	4.II(b)	633	-	45	(2)	-	(72)	-	-	-	-	604
Fauna Portfolio – Ararinha Azul	4.III(c)	636	-	33	(1)	-	(533)	-	-	-	-	135
Fauna Portfolio – Sirênios	4.III(b)	119	-	5	-	-	(98)	-	-	-	-	26
Fauna and Seismic Fund Portfolio	4.III(a)	550	7	53	(7)	-	-	-	(1)	-	-	602
Commitment for the Amazon Region – ARPA for Life – New Sources	⁽¹⁾ 4.IV	115	-	8	-	-	-	-	(28)	-	(95)	(0)
GEF Nutrition	4.V	1,043	740	79	(6)	-	(1,173)	(3)	(106)	-	-	574
Paíter Suruí Fund	4.VI	654	-	6	-	-	-	-	-	(660)	-	-
Project K - “KNOWLEDGE FOR ACTION”	⁽²⁾ 4.VII	2,023	2,716	20	(17)	95	(2,533)	-	(229)	-	(647)	1,428
Moore Sustainability Project	⁽³⁾ 4.VIII	499	-	21	-	-	-	-	(251)	-	(269)	-
R20	4.IX	6	158	-	-	-	(148)	-	(16)	-	-	-
BioGuiné Fund	4.X	83	-	3	-	-	(43)	-	(43)	-	-	-
Atlantic Forest III	4.XI	961	1,040	58	-	16	-	-	(583)	-	-	1,492
RedLAC Assembly	4.XII	81	-	3	-	-	(4)	-	(80)	-	-	-
Mozambique – Biofund	4.XIII	(5)	198	2	(2)	-	(47)	-	(140)	-	-	6
COP Cancun 13	4.XIV	44	75	-	-	-	(52)	-	-	(67)	-	-
CAF Amazônia ^(1 e 3)	4.XV	-	1,586	9	(6)	-	(1)	-	(474)	-	364	1,478
Forest Innovation – 2nd Phase	⁽²⁾ 4.XVI	-	-	7	-	-	(14)	-	(304)	-	314	3
Probio II	4.XVII	-	640	34	-	-	(49)	-	(77)	-	-	548
Publication State Conservation Units in the Amazon Region	4.XVIII	-	19	-	-	-	-	-	(19)	-	-	-
Amapá Fund	4.XIX	8,351	-	1,198	(127)	154	-	-	-	-	-	9,576
Bahia e Espírito Santo Fund	4.XX	6,836	-	388	(40)	53	-	-	-	-	-	7,237
Subtotal		41,447	7,179	4,163	(601)	318	(6,516)	(3)	(2,465)	(724)	(333)	42,464

Ne. (1) In 09/28/17, the resources of the Project Novas Fontes Amazonias were transferred to Project CAF Amazonia in the amount of R\$ 95.

Ne. 2) In 03/13/17, the resources of Project K were transferred to the Project Forest Innovation – 2nd Phase in the amount of R\$ 314 thousand. In 12/22/2017, the amount of EUR 85 thousand were internalized through the account of Bco. Do Brasil Frankfurt 3593313888 corresponding to R\$ 333, however the amount were only received in Bco. Do Brasil c/c 130240-X in 01/04/2018.

Ne. 3) In 09/28/17 the resources of Moore Sustainability Project were transferred to the Project CAF Amazônia, according contract in the amount of USD 81.529 in the rate of 3,296, corresponding to R\$ 269.

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Notes to the financial statement of Certain Projects Managed by Funbio for the period from January 01 to December 31, 2017

1. General information of the Projects' manager

Fundo Brasileiro para a Biodiversidade – FUNBIO (“Funbio”), whose headquarters are located at Rua Voluntários da Pátria, 286 – 5ª andar, Botafogo, city of Rio de Janeiro, State of Rio de Janeiro, is a private, non-profit civil association, in operation since 1996.

Funbio is an innovative mechanism created to develop strategies that help support the implementation of the Convention on Biological Diversity (CBD) in Brazil. Over its 21 years, FUNBIO has served as a strategic partner of the private sector, different federal and state government bodies and civil society.

These partnerships help ensure the feasibility of the companies' environmental and social investments and the reduction and mitigation of their impacts as well as compliance with their legal obligations. At the government level, they are intended to consolidate conservation policies and make environmental financing programs feasible.

In just 21 years, FUNBIO managed US\$600 million, supported 282 projects in 7 biomes, 233 institutions and 311 protected areas totaling 67 million hectares (around three times the size of the State of São Paulo) and already empowered more than 1,300 partners. The source of the funds leveraged by FUNBIO, with a track record of approximately 70 donors, comes from international cooperation agreements, legal obligations and private national and international donations.

FUNBIO is the one and only agency in charge of implementing the Global Environment Facility (GEF) Trust Fund, one of the world's most important financing instruments for environmental projects which accredited FUNBIO for its implementation capacity.

Funds managed by FUNBIO in 2017 grew 20%, reaching a record R\$97 million (2016 – R\$81 million). These funds are used to execute the projects under its responsibility, and those used by the Entity to fulfill the purposes under its bylaws are segregated and may be identified in this report.

As at December 31, 2017, assets managed by FUNBIO amounts to R\$788 million (2016 – R\$734 million), out of which approximately 56% are linked to long-term actions and projects organized in the form of funds.

FUNBIO's governance is led by the Advisory Board (AB), which is composed of 16 members from academic institutions, environmental agencies, civil society, companies, and government and is responsible for defining the organization's strategy and overall direction. The Advisory Board holds three times a year to evaluate the strategic directions and institutional management: The Board establishes a general policy, sets goals and priorities, transformed into actions by the Executive Secretariat. The AB approves annual operational plans, investment policies and developed projects. The Board members participate as volunteers, bringing their experience and knowledge. The Advisory Board is organized into Committees that deal with specific issues, such as Management, Project Techniques, and Finance & Audit and an Asset Management Committees.

Since 2013, FUNBIO adopts the following environmental and social protection policies, which establish the principles of our work: Indigenous Population, Assessment of Environmental and Social Impact, Protection of Habitats, Physical Cultural Resources, Involuntary Resettlement, Pest Management and Complaints, Control and Responsibility System.

The Entity is part of the Environmental Funds Network of Latin America and the Caribbean, with 21 organizations in 16 countries, which, since 1999, already managed over US\$2 billion in equity and sinking funds, supporting more than 900 protected areas.

FUNBIO is guided by core values such as: effectiveness, ethics, intellectual independence, innovation, responsiveness and transparency, and this report is part of the Entity's effort in this regard.

2. Projects managed by FUNBIO

The financial statements of certain projects managed by Fundo Brasileiro para a Biodiversidade – FUNBIO were prepared by FUNBIO’s Management as at December 31, 2017 to provide funders with information on the use of the funds intended for these projects which are listed below:

- Kayapó Fund - 4.I(a)
- Kayapó - 4.I(b)
- Adoption of Parks - 4.II
- Fauna e Sísmica Fund - 4.III(a)
- Fauna Portfolio - Sirênios - 4.III(b)
- Fauna Portfolio - Ararinha Azul - 4.III(c)
- ARPA for Life - New Sources - 4.IV
- GEF Nutrition - 4.V
- Paiter Suruí Carbon Fund - 4.VI
- Project K – “KNOWLEDGE FOR ACTION”- 4.VII
- Moore Sustainability - 4.VIII
- R20 - 4.IX
- Funbio-BioGuiné - 4.X
- Atlantic Forest III - 4.XI
- RedLac Assembly - 4.XII
- Mozambique - Biofund - 4.XIII
- COP Cancun 13 - 4.XIV
- Federal Environmental Compensation in the Amazon Region - 4.XV
- SVA Innovation - 2nd Phase - 4.XVI
- Probio II - MMA Balance - 4.XVII
- State Conservation Units - Amazonas - 4.XVIII
- Amapá Fund - 4.XIX
- Bahia e Espírito Santo Fund - 4.XX

3. Significant accounting policies

Basis of preparation

The financial statements of the Projects were prepared on a cash basis. Income is recognized when funds are received while expenses are recognized when funds are actually used.

These financial statements are presented in Real (R\$), which is FUNBIO’s functional currency. All financial information presented in Brazilian reais has been rounded to the nearest thousand of reais, unless otherwise stated.

4. Main information on certain projects managed by Funbio

I) Kayapó Fund (FK)

Equity fund created and designed by FUNBIO to support Kayapó organizations in the long term and increase the capacity of Kayapó Indigenous Land to maintain its physical integrity. FK received donations that totaled R\$14.4 million, arising from Fundo Amazônia Fund by means of BNDES and International Conservation (CI-Brazil). FUNBIO is the manager of the funds that should be allocated to projects formulated by indigenous organizations linked to this tribe.

In 2017, the execution of the third cycle project was initiated and the amount of R\$1,913 million was disbursed to the operating account, of which R\$170 thousand to Funbio to cover operating costs and governance expenses and R\$1,743 million was transferred to projects. Also in 2017, a total R\$1,749 million (2016 – R\$0.5 million) was executed, and R\$114 thousand was transferred to Funbio.

In 2017, the following third cycle projects were initiated:

- **Strengthening of the Organizational Management and Productive Activities of Kayapó Menkragnoti People in the BR-163 Corridor (Xingu Basin)** – The main purpose of this purpose is to strengthen the administrative capacity of Instituto Kabu, the Project manager, to support income-generating initiatives to promote quality of life in 10 villages in Baú and Menkragnotí areas, both in the State of Pará. These low environmental impact projects are aimed at strengthening the chains of Brazil nuts, cumaru, fibers, wood, cotton and resins intended for handcraft activities.
- **Promote the Social, Economic, Land, Institutional, Cultural and Political Autonomy of Kayapó people, performed by Instituto Raoni** – The main purpose of this project is to strengthen the social, economic and cultural autonomy, land protection and Kayapó people's actual engagement in processes and levels of decision-making on matters of interest and assurance of their rights. The project is developed in 16 villages in two indigenous areas where more than 2 thousand indigenous people live: Menkragnoti, in Pará, and Capoto/Jarina, in Mato Grosso. The main activities are to promote the production, management and sale of handcraft works, strengthen the supply chain of cumaru and copaiba, support the production of farms for subsistence and sale, and support to the inhibition of the presence of invaders and external threats and exchange of experiences among indigenous in areas such as public policies, land and environmental management.

- Initiatives relating to Land and Environmental Management of Kayapó Communities, executed by the Protect Forest Association** – The main purpose of the project is to strengthen Kayapó communities by the protection and sustainable management of their land and natural resources and promote their economic and political autonomy. The project is executed in 17 villages of three indigenous land: Kayapó, Menkragnoti and Las Casas, in Pará, which, together, amount to 6 million hectares. The main activities supported are the empowerment for the protection of land, the strengthening of agroextractivism and handcraft supply chains for increased income generation and consolidation of institutional actions so that indigenous people may have greater protagonism.

FUNBIO made a monitoring visit to Instituto Raoni in the period from July 16 to 22, 2017, where the technical and financial quality of the work performed by the beneficiary institution is verified.

a) Kayapó Fund

No funds were contributed to Kayapó Fund during 2017 and 2016.

The funds received, finance costs, income and transfers occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
Cash inflow Kayapó Fund	-	-	14,392
Finance costs	(393)	(303)	(1,386)
Income	2,168	2,509	9,822
Transfer of funds to the operating account	(1,913)	-	(4,323)
Total funds received	18,505	18,643	18,505

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
Kayapó Fund accounts		
Itaú Private - Investment Efficax 013548-6	8,396	9,082
Itaú Pragma - FI and Floating Investment 89239-9	10,109	9,561
Total	18,505	18,643

b) Kayapó – Operating account

The funds received in operating account No. 28686-9 held in Banco do Brasil are detailed below:

	Amounts in R\$ thousand	Date of receipt in the bank account
Kayapó Fund		
1 st tranche of the 3 rd cycle	613	02/10/2017
2 nd tranche of the 3 rd cycle	414	03/09/2017
3 rd tranche of the 3 rd cycle	308	04/17/2017
4 th tranche of the 3 rd cycle	347	11/07/2017
5 th tranche of the 3 rd cycle	231	12/22/2017
Total funds received	1,913	

The funds received and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
Kayapó Fund	1,913	-	4,311
BNDES Part A	-	-	155
Income	23	49	298
Total	1,936	49	4,764

The operating funds received through 2017 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
Consulting services engaged to prepare technical studies to diagnose the quality of life of Kayapó people and the physical integrity of their land	-	-	155
Project AFP Institutional strengthening for autonomy	308	228	1,095
Project IR Support to conservation and sustainable development actions at indigenous areas Capoto/Jarina and Menkragnoti	794	199	1,603
Project Instituto Kabu strengthening of income generation activities	645	89	1,245
Total disbursements to other institutions	1,747	516	4,098
Other expenses	2	30	77
Total funds used	1,749	546	4,175

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
Kayapó		
Banco do Brasil – Investment CDB 28686-9	249	173
Total	249	173

II) Adoption of Parks

Created in 2011, this support approach seeks voluntary private investments to structure and promote the maintenance of federal, state and municipal conservation units for the conservation of biodiversity. Funbio manages donations and provides services relating to purchases and specialized procurement, financial control and reporting. In consideration for funds contributions, companies have their sponsorship recognized and gain visibility in communication actions.

The agreements effective are as follows:

Park	Area (thousand)	
	Hectares	Funds under the agreement
Parque Nacional Marinho de Fernando de Noronha	10.9	R\$4.3 million - OGX
Parque Nacional dos Lençóis Maranhenses	155	R\$3.5 million - MPX/ENEVA

In 2016, the project that supports Parque Nacional dos Lençóis Maranhenses was completed and, in 2017, the funds held in the related restricted account were accounted for.

Throughout 2017, the support to Parque Nacional Marinho de Fernando de Noronha, via Program Adoption of Parks, made it possible to acquire equipment, furniture and household appliances for structuring the researchers hosting facilities whose renovation was financed in 2016.

The program also relies on a contribution for the original amount of R\$ 300 thousand made by BP Brasil in 2012 to support actions related to environmental management of conservation units; the project draft is underway. At the end of 2017, the balance of the Park Adoption Program amounts to R\$0.6 million (2016: R\$0.6 million), and R\$72 thousand was applied to its activities.

No funds were contributed to Project Adoption of Parks during 2017 and 2016.

The funds received, finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

(In R\$ thousand)			
	2017	2016	Year to Date
MPX - PNLM	-	-	2,060
OGX - PNFN	-	-	2,329
BP - RVS Tijuco and Prata Rivers	-	-	300
Finance costs	(2)	(1)	(7)
Income	45	172	1,185
Total funds received	43	171	5,867

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

(In R\$ thousand)		
	2017	2016
Adoption of Parks		
Banco do Brasil - Investment CDB 128690-0 - OGX	107	164
Banco do Brasil - Investment CDB 28711-3 - BP	497	467
Total	604	623

III) Fauna Brazil Portfolio

The Brazilian Fauna and Fishing Resources Conservation Portfolio – Fauna Brasil Portfolio is a financial mechanism that receives funds from criminal penalties, environmental administrative fines, donations, sponsorships and other sources. Result of a partnership with Ibama (Brazilian Institute for the Environment and Natural Resources), ICMBio and the Federal Prosecutor's Office, it is intended to fund endangered Brazilian fauna conservation programs and projects.

For the Ararinha na Natureza project, the Fauna Portfolio supported the process to create a conservation unit in the area where the species occur, in Bahia, which included from environmental and social studies to public consultation. In 2017, the amount of R\$533 thousand (2016: R\$388 thousand) was used, and the project financial balance was R\$135 thousand (2016: R\$636 thousand).

For Sirênios project, in 2017, the last tranche of the fund was used to acquire equipment and engagement of labor empowerment, amounting to R\$98 thousand.

Fauna Fund has a balance of R\$602 thousand at the end of 2017 (2016: R\$550 thousand); during this period, R\$7 thousand was received and a finance income of approximately R\$46 thousand was generated.

Through 2017, Fauna Portfolio monitored the execution of a total 11 projects for the conservation of Brazilian endangered species, such as reef fish, sea turtles, marine mammals (including porpoise, humpback whale and manatee), medium and large feline in the northern region of Rondônia State, red-tailed amazon and Spix's macaw.

a) Fauna and Seismic Fund Portfolio

The funds received and FRF withdrawals occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
Changes in Fauna Fund			
Inflow of funds			
Unrestricted funds (a)	6	29	384
Conservation of species	-	-	9
Technical capacity development	1	-	10
Specific project	-	-	51
Sustainable use of native species	-	-	3
Total	7	29	457
FRF withdrawals			
Unrestricted funds	(1)	(1)	(14)
Specific project	-	-	(3)
Total (b)	(1)	(1)	(17)
Balance			
Unrestricted funds	5	28	370
Conservation of species	-	-	9
Technical capacity development	1	-	10
Specific project	-	-	48
Sustainable use of native species	-	-	3
Total	6	28	440

(a) The R\$29 thousand funds received in 2016 includes an amount of R\$3 thousand relating to an unidentified deposit made in 2015 which was cleared in 2016.

(b) Corresponds to 5% of funds received, as established in the agreement.

No investments of the operating funds were made during the years December 31, 2017 and 2016, as shown below:

	(In R\$ thousand)		
	2017	2016	Year to Date
Disbursement to projects			
Purple Face Parrot	-	-	(50)
Jamari Flora	-	-	(50)
Pró-Arribada CGPEG	-	-	(16)
Total	-	-	(116)

Additionally, funds received in bank accounts relating to income on short-term investments in the years ended December 31, 2017 and 2016 totaled:

(In R\$ thousand)			
	2017	2016	Year to Date
Income	53	67	263

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

(In R\$ thousand)		
	2017	2016
Fauna and Seismic Portfolio Funds		
Itaú c/a 01677-4 CDB	64	5
Itaú c/a 01677-4 Private Exclusive FIC	411	387
Itaú c/a 01677-4 Repurchase agreement DI	126	117
Itaú c/a 01677-4 Automatic investment	1	41
Total	602	550

b) Fauna Portfolio – Sirênios

No funds were contributed to Fauna Portfolio - Sirênios during 2017 and 2016.

The funds received, finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

(In R\$ thousand)			
	2017	2016	Year to Date
Sirênios	-	-	3,976
Finance costs	-	-	(6)
Income	5	15	122
Total	5	15	4,092

Below are the balances available in the project's bank accounts, including short-term investments as at December 31, 2017 and 2016:

(In R\$ thousand)		
	2017	2016
Sirênios		
Banco do Brasil – CDB 28629-X	26	119
Total	26	119

c) Fauna Portfolio – Ararinha Azul

No funds were contributed to Fauna Portfolio – Ararinha Azul during 2017 and 2016.

The finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

(In R\$ thousand)			
	2017	2016	Year to Date
Ararinha Azul	-	-	3,620
Finance costs	(1)	-	(3)
Income	33	113	500
Total	32	113	4,117

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

(In R\$ thousand)		
	2017	2016
Ararinha Azul		
Banco do Brasil - C/A 28688-5	1	-
Banco do Brasil - CDB 28688-5	134	636
Total	135	636

IV) Commitment for the Amazon Region – ARPA for Life – New Sources

The purpose of Project ARPA (The Amazon Region Protected Areas) for Life is to create and implement a new financing strategy for ARPA program. The model combines funds already deposited in FAP (Fund for Protected Areas) with private bilateral and multilateral investments, creating a transition fund. This fund will enable gradually increasing the public funds in the conservation units, within 25 years, to achieve the financial sustainability of the program.

Launched during Rio+20, the initiative brings together the WWF, Funbio, Linden Trust for Conservation, the Gordon and Betty Moore Foundation, the Brazilian Ministry of Environment (MMA), and ICMBio, with the support of other ARPA partners.

The main achievements, use of funds and activities performed in 2017 were the following:

- Economic and institutional studies on financing opportunities were contracted by means of promotion mechanisms and the use, change or creation of taxes, exemptions and tax incentive linked to Manaus Free Trade Zone, to ensure the financial sustainability of the protected areas of State of Amazonas.
- The term for the engaged consulting to complete the work was extended.

The main challenges for 2018 are:

- Preparation of a report identifying and presenting the methodologies (amounts used) of Manaus Free Trade Zone taxation system.
- Preparation of a report identifying the possibilities of allocation of funds arising from Manaus Free Trade Zone for the conservation.
- Preparation of a report identifying, describing and detailing, by means of an explanatory text, how federal state and municipal tax and exemptions operate on the concession within Manaus Free Trade Zone; the opportunities to accumulate tax credits should be clearly shown.

In 2017 and 2016, no funds were received and the amount of R\$28 thousand was used in 2017 (2016: R\$21 thousand) considering the reimbursement tranches of Funbio team.

The balance of R\$95 thousand was transferred to Federal Environmental Compensation Amazônia (CAF Amazônia), thus zeroing the project balance.

The finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
ARPA New Sources	-	-	2,683
Finance costs	-	-	(15)
Income	8	14	133
Total	8	14	2,801

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
ARPA New Sources		
Banco do Brasil - Investment CDB 23309-9	-	115
Total	-	115

V) **GEF Nutrition – Conservation and Sustainable Use of the Biodiversity for Improved Human Nutrition and Well-Being**

The Project works to foster native species with high nutritional value, but unknown or little used in the Brazilian daily diet due to cultural reasons. In addition to fostering scientific knowledge of these species, the project focuses on disseminating information and on public policy for the procurement of food, minimum price and introduction of produce from the Brazilian biodiversity in school meals and in government food program.

This project, in a partnership with Biodiversity International and funded by the Global Environmental Facility (GEF) through the Food and Agriculture Organization (FAO) and the United Nations Environment Program (UNEP), started in the second half of 2012. FUNBIO is responsible for managing the project funds in Brazil.

In 2017, the following activities and results were achieved by the Project:

- A laboratory analysis of the composition of food is being completed and the data already available is currently being revised;
- A preliminary version of SiBBr database was launched during the BFN Symposium in November 2017 (<https://ferramentas.sibbr.gov.br/ficha/bin/view/FN>). The final adjustments and the inclusion of data are being made and will be completed in March 2018;
- The first 3 lessons of the online course were launched in English and in Portuguese during the BFN Symposium in Brazil. The remaining 4 lessons are being concluded;
- The development of revenue for the recipes book was completed and the book is being concluded;
- In 2017, UFG partners developed a folder to guide the rural communities on the identification, management and use of species prioritized for the Mid-west Region;
- A communication advisory agency was retained to expand and disclose messages on the BFN Project, the BFN Symposium and the materials and tools produced by the project. In the reporting period, 34 articles and interviews in 73 channels on Project BFN and the International Symposium (APPENDIX 3) were published, and one Facebook page was created;
- PNAE incorporated native species prioritized by BFN in the 4th cover of textbooks used in Brazilian public high schools;
- The International Symposium on Biodiversity for Food and Nutrition, organized by BFN Brazil, was held in Brasília on November 27 and 28, 2017, with participation and presentations by all local partners (Ministries, Universities and Research Institutes), GPMU, FAO, ONU Environment, Kenya, Sri Lanka and Turkey. The main legacy products developed in Brazil were presented: Database on the Composition of Food and Recipes, Plants for the Future Books, Recipes Book and Online Course.

During 2017, the amount of R\$740 thousand was allocated, R\$1.1 million was used and R\$106 thousand was transferred to Funbio.

The funds received in checking account No. 24104-0 at Banco do Brasil, donated to the project in 2017, are shown below:

	Amounts in R\$ thousand	Date of receipt in the bank account
GEF Nutrition		
Inflows	386	05/15/2017
Inflows	354	05/15/2017
Total	740	

The funds received, finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
GEF Nutrition	740	822	3,815
Finance costs	(6)	(5)	(23)
Income	79	136	341
Total	813	953	4,133

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
GEF Nutrition		
Banco do Brasil - C/A 24104-0	-	1
Banco do Brasil - Investment CDB 24104-0	574	1,042
Total	574	1,043

VI) Paiter Suruí Fund

The Paiter Surui Fund is a financial mechanism aimed at implementing the Sete de Setembro Native Land Management Plan, based on good governance and transparency principles, with the active involvement of Native Brazilian representative councils in the decisions.

The fund was conceived by Associação Indígena Metareilá, with Funbio's support, and had as partners the Amazon Conservation team (Ecam), Associação de Defesa Etnoambiental Kanindé, Instituto de Conservação e Desenvolvimento Sustentável do Amazonas (Idesam) and Forest Trends.

The funds from the sale of carbon credits and from other sources will be integral parts of the Paiter Surui Fund, which has Funbio as the party responsible for its design and financial management.

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

At the end of 2016, Funbio agreed to transfer the total funds as well as the financial management to Metareilá Association. A step already included in the fund conception: by completion of the technical cooperation phase, which would be performed by a non-Indian institution, the funds and financial management should be transferred to a Surui association. The project was completed in 2017 and the balance of the funds was transferred under the agreement made between Funbio and Metareilá in the amount of R\$660 thousand.

The finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
Paiter Suruí Fund	-	33	3,192
Finance income	-	(1)	(8)
Exchange rate changes	-	-	39
Income	6	76	323
Total	6	108	3,546

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
Paiter Suruí Fund		
Banco do Brasil - Investment CDB 25280-8	-	654
Total	-	654

VII) Project K - "KNOWLEDGE FOR ACTION"

The Project is intended to strengthen the funds regarding their operation and the use of innovative financial tools to reduce this reliance and diversify the funding sources. In addition to training workshops with different themes and environmental funds peer mentorship, the project will co-finance the implementation of innovative financial mechanisms through a call for proposals addressed to environmental funds in Latin America and the Caribbean (RedLAC) and the Consortium of African Funds (CAFÉ). The initiative counts on funds of around EUR 1.6 million + US\$0.9 million guaranteed by FFEM, the Mava Foundation and GEF.

Main results reached in 2017:

- Financing of 6 pilots of innovative financial mechanisms in Brazil, Peru, Costa Rica, Malawi, Cameroon and Mozambique;
- Support to mentorship activities among 6 peers, 1 group of Funds (RedLAC and CAFÉ);
- 1 empowerment workshop held in Mauritania;
- Structuring of the WG that will define the financial sustainability strategy of RedLAC e CAFÉ networks in the future;
- Communication of the Project International Conservation Conference (IUCN Hawaii) and RedLAC (Brazil) and CAFÉ (Malawi) meetings.

Challenges for 2018

- Systematization of the pilot case studies of the supported financial mechanisms;
- Systematization of the case studies of the supported mentorship experiences;
- Definition and implementation of the financial sustainability strategy of RedLAC and CAFÉ networks;
- Structuring of a WG to discuss the topic “Monitoring and Assessment in the context of the Funds and the networks”;
- Revision of the study of the networks and used of a system of indicators at the levels of the Funds, networks and impacts;
- Conclusion of the project.

In 2017, the project used funds totaling around R\$2.5 million (2016: R\$1.8 million) and, at the end of 2017, had a financial balance of R\$1.4 million (2016: R\$2 million).

The funds received in checking account No. 3593313888 at Banco do Brasil Frankfurt, donated to the project in 2017 are shown below:

Project K	Amounts in Euro	Exchange rate	Amounts in R\$ thousand	Date of receipt in the bank account
Inflows - Mava	188	3.3029	621	02/13/2017
Inflows - FFEM	273	3.4834	951	04/28/2017
Inflows - FFEM	212	3.7808	802	11/09/2017
Inflows - Mava	88	3.8819	342	11/30/2017
Total	761		2,716	

The funds received, finance costs, exchange rate changes and income occurred during the years ended December 31, 2017 and 2016 were as follows:

(In R\$ thousand)			
	2017	2016	Year to Date
Project K	2,716	4,404	7,565
Finance costs	(17)	(6)	(26)
Exchange rate changes	95	(237)	33
Income	20	20	40
Total	2,814	4,181	7,612

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

(In R\$ thousand)		
	2017	2016
Project K		
Banco do Brasil - Investment CDB 28434-3	266	133
Banco do Brasil Frankfurt C/A 3593313888	994	35
Banco do Brasil New York C/A 76253011-1	7	7
Banco do Brasil New York Overnight investment 76253011-1	161	1,847
Total	1,428	2,022

VIII) Moore Sustainability Project

The purpose of the project is the financial sustainability of Amazon protected areas, including ARPA areas, enhanced through consolidation of compensation mechanisms and alternative funding sources for four priority states in the Brazilian Amazon (Amapá, Pará, Rondônia, and Amazonas) and the Federal Government. The Project starts from a US\$ 700 thousand donation from Gordon & Betty Moore Foundation and Linden Trust for Conservation.

The main achievements, use of funds and activities performed in 2017 were the following:

- Two sustainable dialogue events, encompassing a variety of sources: Environmental compensation, conduct adjustment commitment, forestry concession, public use and bilateral and multilateral financing made (Manaus and Brasília) in partnership with Abrampa, the Pró-UC Coalition and MMA;
- Training in Tax Law to FUNBIO's team, with a focus on tax credits arising from credits accumulated in the supply chain;
- Design of tax credit strategies;

- Establishment of a Working Group on the Conservation Financing in the Pró-UC Coalition, released by FUNBIO;
- Establishment of a partnership with Abrampa to discuss legal obligations as conservation financing instrument;
- Creation and development of two groups, technical and counselling, to discuss guidelines for the execution of environmental compensation;
- Publication of the “Environmental Compensation: guidelines and recommendations for its execution” brochure;
- Reallocation of a component intended for studies on the compensation mechanism with the Federal Government to a specific project, named “Compensação Ambiental Federal” (CAF).

In 2017, the amount of R\$251 thousand (2016: R\$725 thousand) was transferred to Funbio, R\$210 thousand was used in 2016, and no funds were contributed in 2017 (2016: R\$659 thousand).

The balance of R\$269 thousand was transferred to Federal Environmental Compensation Amazônia (CAF Amazônia), thus zeroing the project balance.

The main challenges for 2018 are:

- Approve the strategy developed for tax credits;
- Expand the debate on “Innovation and strategies of financing for conservation” in the Sustainability WG of the Pró-UC Coalition;
- Prepare texts on the sources of financing considered in the sustainable dialogues;
- In the States of Rondônia and Pará, roll out the model being developed at the federal level;
- Capitalize Amapá fund.

The funds received, finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
MOORE SUSTAINABILITY	-	659	2,564
Finance costs	-	(3)	(12)
Income	21	30	71
Total	21	686	2,623

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
MOORE SUSTAINABILITY		
Banco do Brasil Investment CDB - 28488-2	-	499
Total	-	499

IX) Project to Support to R20 Brazil Activities

R20 – Regions of Climate Action is a non-governmental organization founded in 2010 in California, United States which signed a partnership agreement with Funbio whose object is the operational support for the management of resources contributed by and for R20, consisting in managing financial resources to make possible the receipts and payments of the initial resources of R20's activities in Brazil.

In the second year of the partnership, the amount of R\$158 thousand was received, R\$148 thousand was accounted for, and R\$16 thousand was transferred to Funbio.

The funds received in checking account No. 28.950-7 at Banco do Brasil, donated to the project in 2017 are shown below:

	Amounts in R\$ thousand	Date of receipt in the bank account
R20 – Regions of Climate Action		
Eletrobrás Unified Establishments	158	01/27/2017
Total	158	

The funds received and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
R20 – Regions of Climate Action	158	474	632
Income	-	2	2
Total	158	476	634

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
R20 – Regions of Climate Action		
Banco do Brasil - Investment CDB 28950-7	-	6
Total	-	6

X) BioGuiné Fund

Financed by the Project K mentoring component, the purpose of this project was to empower Fundação BioGuiné (Guiné Bissau) in the development of financial mechanisms and financial administrative processes focused on the conservation of biodiversity. FUNBIO was the mentor of Fundação BioGuiné.

In 2017, the results reached are related to the training provided to Fundação BioGuiné team by FUNBIO on how to design financial mechanisms and structure an operating manual for its implementation, performed locally in Guiné Bissau and preceded by the preparation of the content. The training counted on the participation of stakeholders such as representatives from the protected areas agency and donors. In 2017, R\$43 thousand was used R\$43 thousand (2016 – R\$19 thousand) was transferred to Funbio.

No funds were contributed in 2017.

The funds received and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
Project K	-	100	100
Income	3	2	5
Total	3	102	105

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
Funbio-BioGuiné		
Banco do Brasil - Investment 29760-7	-	83
Total	-	83

XI) Atlantic Forest III

Project with funds amounting to EUR 7.9 million financed by BMU (Germany's Ministry of Environment) through the German Development Bank (KfW) the purpose of which is to: contribute to biodiversity conservation and ecological restoration in the Atlantic Forest, with emphasis in selected conservation units' mosaics, contributing to the mitigation and adaptation to climate change in this biome. There are estimates of considerations to the project amounting to EUR 6.4 million from the German Agency for International Cooperation (GIZ) and EUR 4.0 million from the Brazilian Ministry of Environment (MMA). At the end of 2017, the second contribution of funds was made to the project, in the amount of R\$1,040 thousand, and the amount of R\$583 thousand relating to fixed costs were recovered.

The following activities were performed during 2017:

- 10 new requests to engage consulting services (legal entities – “PJ”) to: Preparation of Municipal Plans for the Atlantic Forest, registry and validation of registrations with CAR, training in adaptation based in ecosystems, economic analysis of the supply chain for recovery of native vegetation, preparation of a strategy to increase the availability of financing for recovering the native vegetation at scale and revising the Priority Areas for conservation of biodiversity in the Atlantic Forest.
- Out of them, services for revision of priority areas for conservation were retained and the work was initiated.

During 2017, no funds were received in checking account No. 28123-9 held at Banco do Brasil. However, funds were received in account No. 3593311888 held at Banco do Brasil in Frankfurt, as shown below:

	Amounts in Euro	Exchange rate	Amounts in R\$ thousand	Date of receipt in the bank account
ATLANTIC FOREST III				
KfW BMU ATLANTIC FOREST III	266	3.9071	1,040	12/15/2017
	266		1,040	

The funds received, finance costs, exchange rate changes and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
ATLANTIC FOREST III	1,040	989	2,025
Finance costs	-	(4)	(4)
Income	58	7	65
Exchange rate changes	16	(31)	(15)
Total	1,114	961	2,071

Below are the balances available in the project's bank accounts as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
ATLANTIC FOREST III		
Banco do Brasil no Brasil - Investment 28123-9	436	961
Banco do Brasil em Frankfurt - C/A 3593311888	1,056	-
Total	1,492	961

XII) Assembly of the Network of Environmental Funds in Latin America and the Caribbean – RedLAC Assembly – Brazil 2016

From November 01 to 04, 2016, in Brasília (DF), XVIII Assembleia RedLAC Assembly was held, gathering around 40 Environmental Funds of the Latin America and the Caribbean Network and African countries that are members of the Consortium of African Funds (CAFE). FUNBIO hosted and organized this event, which involved approximately 350 people in 5 days, considering the Assembly and simultaneous event.

The initiative was sponsored and support by the following institutions: The National Bank for Social and Economic Development (BNDES), Tropical Forest Conservation Act – TFCA, José Roberto Marinho, German Development Bank (KfW), Oak Foundation – Oak Philanthropy Ltd., and by means of a Non-reimbursable Technical Cooperation signed by FUNBIO with the Interamerican Development Bank (IDB), under the scope of the Planning and Strengthening of the Manager of the Transition Fund for the Amazon Region Protected Areas (ARPA) for Life.

Considering donations and concessions, the amount of R\$491 thousand was raised. Out of this amount, R\$508 thousand was used in the event (R\$424 thousand in 2016, R\$4 thousand in 2017, and R\$80 thousand was transferred to Funbio). The project was completed in 2017.

The funds received, finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
XVIII RedLAC Assembly	-	491	491
Finance costs	-	(1)	(1)
Income	3	14	17
Total	3	504	507

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
XVIII RedLAC Assembly		
Banco do Brasil - Investment CDB	-	81
Total	-	81

XIII) Mozambique – Biofund

The purpose of the Project, in partnership with GITEC, the German consulting firm and the local NGO Verde e Azul, was to provide technical support to strengthen BIOFUND's operating capacity. Funbio supported BIOFUND in the definition and implementation of procedures, design and use of tools focused on the financing of the Protected Areas of Mozambique. The project counted on funds totaling approximately USD1 million from the German Development Bank – KfW between 2016 and 2017.

1. Main results achieved in 2017:

- Structuring of procedures, definition of flows for the main projects performed by BIOFUND and approval of its Operating Guide and appendices (Selection Guide and Disbursement Guide);
- Support to BIOFUND 1st Training in procedures to focal financial points of Mozambique conservation areas;
- Mapping of process for the improvement of project execution procedures;
- Preparation of a tool for sizing efforts and team resources for managing the portfolio of projects, as strategic planning inputs.
- Conclusion of the project.

In 2017, a new agreement was signed with GITEC for the second phase of the project, aiming at the continuity of technical support to increase the quality of BIOFUND's institutional performance in facing the new challenges that will arise. Funbio will continue to support BIOFUND in the definition and implementation of continuous improvement procedures, design and use of tools focused on the financing of the Protected Areas of Mozambique. The project counts on funds totaling approximately USD400 thousand from the German Development Bank – KfW to be used in the first half of 2018.

For 2018, we have the following challenges:

- Mapping of processes, definition of flows and recommendations for improvement of BIOFUND's financial and administrative activities;
- Structuring of procedures and flows and tools for monitoring the institutional performance and projects executed by BIOFUND;
- Preparation of a policy and a manual for monitoring BIOFUND.

In 2017, the project used R\$187 thousand in the first phase (2016 – R\$55 thousand).

The funds received in checking account No. 28954-x at Banco do Brasil, donated to the project in 2017 are shown below:

	Amounts in Euro	Exchange rate	Amounts in R\$ thousand	Date of receipt in the bank account
GITEC				
Inflows	58	3,388	198	19/01/2017
Total	58		198	

The funds received, finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
GITEC	198	51	249
Finance costs	(2)	(1)	(3)
Income	2	-	2
Total	198	50	248

Below are the balances available in the project's bank accounts as at December 31, 2017 and 2016:

	(In R\$ thousand)	
	2017	2016
MOZAMBIQUE		
Banco do Brasil - Investment CDB 28954-X (*)	6	(5)
Total	6	(5)

(*) As at December 31, 2016, the balance was negative, since FUNBIO used its own funds in the Project and, after the donor's contribution was made in 2017, a reimbursement was made to FUNBIO's administrative account.

XIV) Cop Cancun 13

From December 4 to 17, 2016 the Conference of Parties (COP) of the Biological Diversity Conservation (CBD) was held in Cancun - Mexico. FUNBIO acted as fundraiser and organizer of Stand Brazil, Brazil's space of representation at the event.

The supporters who contributed to this initiative were: Embassy of the Federal Republic of Germany/GIZ, WWF-Brasil, O Boticário, Votorantim Industrial, and Conservation International do Brazil – CI.

Considering donations and concessions, the amount of R\$235 thousand was received. Out of this amount, R\$168 thousand was used in the event (R\$116 thousand in 2016 and R\$52 thousand in 2017). The amount of R\$67 thousand was transferred to Brazil's International Conservation – CI, upon sponsors' consent. The project was completed in March 2017.

The contribution of funds occurred in checking account No. 29.987-1 held at Banco do Brasil, donated to the project in 2017, are as follows:

	Amounts in R\$ thousand	Date of receipt in the bank account
COP 13 CANCUN		
VOTORANTIM INDUSTRIAL - VID	25	01/06/2017
Calamo Distribuidora de Produtos de Beleza	50	02/10/2017
Total	75	

The funds received during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
COP 13 CANCUN	75	160	235
Total	75	160	235

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017 and 2016.

	(In R\$ thousand)	
	2017	2016
COP 13 CANCUN		
Banco do Brasil - Investment CDB 29.987-1	-	44
Total	-	44

XV) Federal Environmental Compensation in the Amazon Region (CAF Amazônia)

The purpose of the project is to assist ICMBio in its efforts to create and implement tools and processes to optimize the use of federal environmental compensation resources, with a major focus on the protected areas of the Amazon biome. For its implementation, Funbio counts on funds from Gordon and Betty Moore Foundation, in addition to consideration from ARPA Program and ICMBio, totaling US\$1,017,111.

Since the agreement supporting the project was signed in September 2017, a few results were reached through the reporting date, basically corresponding to alignments made with ICMBio and Gordon Betty Moore Foundation as to the scope of the project, which was slightly changed due to recent amendments made to the federal environmental compensation laws.

In 2017, we received a total of R\$1,950 thousand; out of this amount, R\$269 thousand was derived from the Moore Sustainability project and R\$95 thousand from the Commitment for Amazon – ARPA for Life – New Sources, and R\$1,586 million was contributed by Gordon and Betty Moore Foundation.

Over 2017, R\$475 thousand was used considering the reimbursement portions of Funbio's team (R\$474 thousand).

The contribution of funds occurred in checking account No. 23422-2 held at Banco do Brasil, donated to the project in 2017, are as follows:

	Amounts in US\$	Exchange rate	Amounts in R\$ thousand	Date of receipt in the bank account
Environmental Compensation in the Amazon Region				
Project New Sources Amazon Region	39		95	09/28/2017
Project Moore Sustainability	82	3.296	269	09/28/2017
Gordon and Betty Moore Foundation	500	3.172	1,586	10/19/2017
Total	621		1,950	

The funds received, finance costs and income occurred during the years ended December 31, 2017 and 2016 were as follows:

(In R\$ thousand)		
	2017	Year to Date
Environmental Compensation in the Amazon Region	1,950	1,950
Finance costs	(6)	(6)
Income	9	9
Total	1,953	1,953

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017:

	2017
Environmental Compensation in the Amazon Region	
Banco do Brasil Investment CDB - 23422-2	1,478
Total	1,478

XVI) Forest Innovation – 2nd Phase

The Forestry Innovation project corresponds to the second phase of the "SVA Innovation" project, where Funbio was selected by Project K to receive US\$200 thousand to design a financial mechanism for the social and economic development of plots of land surrounding large real estate projects based on their local potentialities. The pilot of the initiative occurs in Northern Rondônia, which has a strong forestry vocation, in the area of influence of the hydroelectric plant (UHE) Jirau.

The project requires a 1:1 consideration. Accordingly, Funbio, in conjunction with the main partner of the project, Engie, accounted for the use of these funds two times throughout 2017 .

In 2017, a series of interviews and contacts were made with stakeholders (experienced in the forestry sector) both from inside and outside the territory, in addition to local project communication events, engagement and gathering of information. The project was also presented in local and international forums. These agreements allowed to establish strategic partnerships with the private and public sectors, the academy and the third sector. The project also developed a proposal to raise additional funds, engaged a consulting firm specializing in wood and non-wood management and started the financial mechanism design.

Over 2017, R\$14 thousand was used and R\$304 thousand was transferred to Funbio.

The funds received in checking account No. 130240-X at Banco do Brasil, donated to the project in 2017, are shown below:

	Amounts in US\$	Exchange rate	Amounts in R\$ thousand	Date of receipt in the bank account
Project K				
Inflows	100	3,14	314	03/13/2017
Total	100		314	

The funds received and income occurred during the year ended December 31, 2017 were as follows:

	(In R\$ thousand)	
	2017	Year to Date
Project K	314	314
Income	7	7
Total	321	321

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017:

	(In R\$ thousand)
	2017
Forest Innovation – 2nd Phase	
Banco do Brasil - CDB 130240-X	3
Total	3

XVII) Cooperation Agreement between Funbio and MMA – Probio II

The Agreement was conceived to make it feasible the use of the remaining financial funds from the Integrated Public-Private Actions for Biodiversity Project (Probio II – TF 91515). These funds derive from the finance income from GEF donation and upon an agreement made among Caixa Econômica Federal, the World Bank and FUNBIO.

On January 31, 2017, the amount of R\$640 thousand was transferred to Funbio to be used in the following activities:

Promote actions related to revision of priority areas for the conservation, sustainable use and partition of the Brazilian biodiversity benefits to Pampa biome, and

Disseminate information on the Brazilian biodiversity by means of the digitalization and online availability of critical rare biodiversity works in Brazilian libraries.

During 2017:

Consulting services were engaged to revise priority areas for the conservation, sustainable use and partition of the Brazilian biodiversity benefits to Pampa biome;

The activity to disseminate information on the Brazilian biodiversity by means of the digitalization and online availability of critical rare biodiversity works in Brazilian libraries was completed.

Over 2017, R\$49 thousand was used and R\$77 thousand was transferred to Funbio.

The funds received in checking account No. 130239-6 at Banco do Brasil, donated to the project in 2017 are shown below:

(Em Reais mil)		
	Valores em real mil	Data do ingresso do recurso no banco
Ingressos	640	31/01/2017
Total	640	

The funds received and income occurred during the year ended December 31, 2017 were as follows:

(In R\$ thousand)		
	2017	Year to Date
MMA balance - Probio II	640	640
Yield	34	34
Total funds received	674	674

Below are the balances available in the project's bank accounts, including short-term investments as at December 31, 2017:

(In R\$ thousand)	
	2017
MMA balance - Probio II	
Banco do Brasil CDB 130239-6	548
Total	548

XVIII) Publication State Conservation Units in the Amazon Region

In 2012, Funbio, in partnership with the State of Amazonas Environment Secretariat, received financial support from Gordon and Betty Moore Foundation and ARPA Program to perform a financial diagnosis and a financing strategy for the State of Amazonas Conservation Units System (SEUC) (this diagnosis was part of a larger project dubbed Moore Amazonas). At the end of 2016, WWF-Brazil and Funbio made a technical-financial partnership agreement whereby Funbio will receive R\$63,000.00 to revise the information and prepare a publication on SEUC financing strategy and environment.

The main achievements, use of funds and activities performed in 2017 were the following:

- Mapping of the conservation units' financial requirement and revision of the cost modeling;
- Mapping of the short-term financial offer;
- Promotion of a workshop in Manaus gathering several stakeholders to obtain information on the financial offer and long-term financial strategies.

The main challenges for 2018 are:

- Communication with SEMA/AM, since there was a recent change in government and the current government is transitional (change in 2018) and elections;
- Elections 2018 – possibility that government will change;
- Define the financial strategies for conservation units in the State of Amazonas;
- Develop a publication (final content, design and printing).

In 2017, the amount of R\$19 thousand was transferred to Funbio and R\$19 thousand was received from the donor.

The funds received in checking account No. 112001-8 at Banco do Brasil, donated to the project in 2017, are shown below:

Publication State Conservation Units in the Amazon Region	Amounts in R\$ thousand	Date of receipt in the bank account
WWF Brazil	19	09/02/2017
Total	19	

The funds received during the years ended December 31, 2017 were as follows:

	(In R\$ thousand)	
	2017	Year to Date
Publication State Conservation Units in the Amazon Region	19	19
Total	19	19

XIX) Amapá Fund

The Amapá Fund was designed by FUNBIO with support of Gordon & Betty Moore Foundation and CI-Brazil, and in close coordination with the Secretariat of Environment of Amapá staff to allocate resources for the maintenance of the State's biodiversity protected areas. Launched in 2015, it had an initial contribution of US\$2.5 million donated by the Global Conservation Fund (GCF), Conservation International and a state consideration of R\$1 million.

The mechanism foresees the raising of resources from diversified sources such as TACs, donations and payments for environmental services. The purpose is to give agility to the implementation and flexibility for the allocation of resources in protected areas, in a manner that meets the real needs of the Conservation Units of the most preserved state in Brazil.

FUNBIO ensures the recruitment of a professional asset manager for compliance with the investment policy proposed by the fund. The first contribution occurred in 2016, amounting to R\$8.1 million. The fund is invested and a revision of the project operating guide and governance structure is being made. The need to make a realignment due to changes to the team is also being revised.

No funds were contributed in 2017.

The funds received, finance costs, exchange rate changes and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
Conservation International ⁽¹⁾	36	8,127	8,163
Income	1,198	368	1,566
Finance costs	(127)	(146)	(273)
Exchange rate changes ⁽¹⁾	154	2	120
Total	1,261	8,351	9,576

(1) Adjustment to balance due to the exchange rate change of R\$36 thousand on the transfer of funds from Funbio NY account No. 06340-3 To Itaú Miami c/a No. 6088320 on 09/27/2016 - Fundo Amapá.

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017:

	(In R\$ thousand)	
	2017	2016
AMAPÁ FUND		
Itaú Miami – c/a 6088320	90	18
Itaú Miami – Investment FI and Floating 6088320	2,460	4,067
Itaú Priv. Investment Efficax - 17414-7	1,016	1,291
Itaú Pragma Investment FI and Floating 96669-8	3,284	2,761
J. P. Morgan Investment FI and Floating 16936-6	518	214
Itaú Miami c/a JTU -041412	2,208	-
Total	9,576	8,351

XX) Bahia e Espírito Santo Fund – Atlantic Forest Protected Areas Fund (AFPA Fund)

The AFPA Fund, also known as “Bahia & ES Fund” was designed by FUNBIO with the support of Gordon & Betty Moore Foundation and CI-Brasil, and in close coordination with the Chico Mendes Institute for Biodiversity Conservation (ICMBio) staff, to allocate resources to ensure the viability and sustainability of 29 biodiversity protected areas located in the States of Bahia and Espírito Santo. Launched in 2016, it had an initial contribution of US\$2.1 million donated by the Global Conservation Fund (GCF) of Conservation International.

FUNBIO ensures the recruitment of a professional asset manager for compliance with the investment policy proposed by the fund. The first contribution occurred in 2016, amounting to R\$6.9 million. The fund is invested and a revision of the project operating guide, governance structure and execution format is being made.

No funds were contributed in 2017.

The funds received, finance costs, exchange rate changes and income occurred during the years ended December 31, 2017 and 2016 were as follows:

	(In R\$ thousand)		
	2017	2016	Year to Date
Conservation International	-	6.928	6.928
Income	388	2	390
Finance costs	(40)	(15)	(55)
Exchange rate changes	53	(79)	(26)
Total	401	6.836	7.237

Below are the balances available in the project's bank accounts, including short-term investments, as at December 31, 2017:

	(In R\$ thousand)	
	2017	2016
BA and ES Fund Account		
Banco do Brasil NY - c/a 1006340-3 ⁽¹⁾	-	3,421
Itaú Miami c/a 6088320 ⁽¹⁾	3,527	-
Itaú private Repurchase Agreements DI – c/a 02077-9	-	3,415
Itaú private Efficax FI - c/a 02077-9	777	-
Itaú Pragma c/a 88475-0 ⁽²⁾	627	-
Itaú Pragma c/a 15874-0	1,938	-
J. P. Morgan c/a 61325	368	-
Total	7,237	6,836

- 1) The funds were deposited in FUNBIO's administrative account, in New York. AFPA (Atlantic Forest Protected Areas Fund)'s Investment Policy provides that 50% of resources should be invested abroad and 50% in Brazil. Funbio, as the assets manager, proposed to join Amapá Fund with AFPA in a single fund, with investments being controlled separately based on the portion of each project invested in YCD (*Yankee Certificate of Deposit*). CI (*Conservation International*) is studying the proposal. In 2017, a redemption was made from FUNBIO NY administrative account and transferred to Itaú Miami c/a No. 6088320 held by Fundo Amapá, however in separate funds.
- 2) On 12/28/2017, the amount of R\$627 thousand was redeemed from Itaú Private Repurchase Agreement DI c/a 02077-9 on 12/28/2017. This investment had been improperly made in Itaú Pragma - C/A 88475-0 – ARES FT and cleared in 2018.

5. Explanation added to the translation for the English version

The accompanying financial statements were translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices applied by the Company that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where these financial statements may be used.

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent Auditor's Report on the internal control system of Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO

To the
Management of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO
Rio de Janeiro, RJ

This report is complementary to our report on the financial statement of Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO

The Management of Fundo Brasileiro para a Biodiversidade – FUNBIO, the manager of Certain Projects Managed by Fundo Brasileiro para a Biodiversidade – FUNBIO is responsible for establishing and maintaining an internal control system sufficient to mitigate the risks of misstatements in the financial information and protect the assets under the projects' management, including the construction works and other assets acquired. To fulfill this responsibility, Management is required to make judgments and estimates to assess the expected benefits and costs relating to the internal control system's policies and procedures. The objectives of an internal control system are to provide reasonable, but not absolute, assurance to Management that the assets are safeguarded from unauthorized use or disposition, that transactions are executed in accordance with Management's authorization and the terms of the agreement and recorded properly to permit the preparation of reliable financial reports. Because of inherent limitations in control systems, errors or irregularities may occur and not be detected. In addition, projection of any evaluation of systems to future periods is subject to risk since procedures may become inadequate as a result of changes in conditions, or the degree of compliance with the procedures may deteriorate.


In planning and developing our audit of the Projects' financial statements for the year ended December 31, 2017, we gained an understanding of the current internal control system and assessed the control risk to determine the audit procedures in order to express an opinion on the Projects' financial statements, and not to express an opinion on the effectiveness of the internal control system. Therefore, we do not express such opinion.

Our audit of the Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO for the year ended December 31, 2017 did not reveal significant deficiencies in the design or operation of the internal control system that, in our opinion, could adversely affect FUNBIO's ability to record, process, summarize and present financial information in a manner consistent with the Management's assertions in the statements of funds received and disbursements made, as well as accumulated investments.

A significant deficiency is a condition in which the design or operation of one or more elements of the internal control system do not reduce to a relatively low level the risk that errors or irregularities may occur in amounts that could be significant in relation to the Projects' basic financial statements, and that could not be timely detected by FUNBIO's personnel during the normal course of operations.

Our consideration about the internal control system does not necessarily expose all matters regarding the system that could be considered significant deficiencies and, therefore, should not necessarily expose all conditions to be informed that could be considered significant deficiencies in accordance with the previous definition.

Rio de Janeiro, April 26, 2018


Ana Cristina Linhares Areosa
Contadora CRC RJ-081.409/O-3

Grant Thornton Auditores Independentes
CRC SP-025.583/O-1 "S" – RJ

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

Independent Auditor's Report on compliance with standards, Laws and regulations of Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO

To the
Management of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO
Rio de Janeiro – RJ

We have audited the financial statements of Certain Projects Managed by Fundo Brasileiro para a Biodiversidade – FUNBIO (“Projects”), managed by Fundo Brasileiro para a Biodiversidade – FUNBIO for the period from January 01 to December 31, 2017, and issued our respective report thereon dated April 26, 2018.

In connection with our audit, we examined compliance with contractual clauses and articles established in the respective agreements, applicable at December 31, 2017, and other agreements signed between the parties, Laws and other legal provisions in Brazilian legislation.

We conducted our audit in accordance with International Standards on Auditing. These standards require the due planning and performance of the audit to obtain reasonable assurance that FUNBIO complied with the relevant clauses under the respective agreements and other agreements signed between the parties, Laws and other legal provisions in the Brazilian legislation. An audit includes an examination of appropriate evidence based on supporting documentation. We consider that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, in the year ended December 31, 2017, FUNBIO complied, in all material respects, with the contractual clauses of the Certain Projects Managed by Fundo Brasileiro para a Biodiversidade – FUNBIO and other agreements signed between the parties, Laws and other legal provisions in the Brazilian legislation.

Rio de Janeiro, April 26, 2018



Ana Cristina Linhares Areosa
Contadora CRC RJ-081.409/O-3

Grant Thornton Auditores Independentes
CRC SP-025.583/O-1 “S” – RJ

