

Financial Statements

Fundo Brasileiro para a Biodiversidade - Funbio

December 31, 2018 and 2017
with Independent Auditor's Report

Fundo Brasileiro para a Biodiversidade - Funbio

Financial statements

December 31, 2018 and 2017

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A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil applicable to not-for-profit entities (ITG 2002 (R1))

Independent auditor's report on financial statements

To the Management and Board of Trustee of
Fundo Brasileiro para a Biodiversidade - Funbio
Rio de Janeiro - Rio de Janeiro State

Opinion

We have audited the financial statements of **Fundo Brasileiro para a Biodiversidade - FUNBIO** (the "Entity"), which comprise the statement of financial position as at December 31, 2018 and the statements of surplus or deficit, of changes in net asset value and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the Entity's financial position as at December 31, 2018, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to not-for-profit entities (ITG 2002 (R1)).

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Entity and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matters

Audit of corresponding figures

The financial statements of Fundo Brasileiro para a Biodiversidade - FUNBIO for the year ended December 31, 2017 were audited by other independent auditor, who issued an unmodified opinion thereon dated April 26, 2018.



Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting practices adopted in Brazil applicable to not-for-profit entities (ITG 2002 (R1)), and for such internal control as management determines is necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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 these financial statements.

As part of the audit conducted in accordance with Brazilian and International standards on auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.
- Obtain an understanding of internal control 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 Entity's 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 substantial doubt on the Entity's ability to continue as a going concern. 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 statements 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that achieves fair presentation.

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

Rio de Janeiro, April 25, 2019.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

A handwritten signature in blue ink, appearing to read 'Walter G. Neumayer', is written over the printed name and title.

Walter G. Neumayer
Accountant CRC-1RJ091659/O-0

A free translation from Portuguese into English of Financial Statements prepared in Brazilian currency in accordance with the accounting practices adopted in Brazil applicable to not-for-profit entities (ITG 2002 (R1))

Fundo Brasileiro para a Biodiversidade - Funbio

Statements of financial position
December 31, 2018 and 2017
(In thousands of reais)

	Note	2018	2017
Assets			
Current assets			
Cash and cash equivalents	4.a	3,982	4,643
Funds related to projects	4.c	280,486	286,665
Funds related to GEF Agency	4b and 9	7,313	9,195
Project-related advances - GEF Agency	9	1,974	472
Funds in transit		486	756
Other		817	389
		<u>295,058</u>	<u>302,120</u>
Noncurrent assets			
Funds related to projects - Funds	4.d	507,417	462,120
FUNBIO Resources Fund ("FRF")	4.e and 10	26,452	23,826
Property and equipment	5	1,527	679
		<u>535,396</u>	<u>486,625</u>
Total assets		<u><u>830,454</u></u>	<u><u>788,745</u></u>

	Note	2018	2017
Liabilities and net asset value			
Current liabilities			
Trade accounts payable	6	414	172
Salaries and charges payable	7	2,409	2,007
Taxes and charges		225	143
Funds related to projects	8	279,428	286,631
Funds related to GEF Agency	9	9,287	9,667
Other accounts payable		190	419
		<u>291,953</u>	<u>299,039</u>
Noncurrent liabilities			
Funds related to projects - Funds	8	507,417	462,120
		<u>507,417</u>	<u>462,120</u>
Net asset value			
FUNBIO Resources Fund ("FRF")	10	26,452	23,826
Accumulated surplus		4,632	3,760
Total net asset value		<u>31,084</u>	<u>27,586</u>
Total liabilities and net asset value		<u>830,454</u>	<u>788,745</u>

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - Funbio

Statements of surplus or deficit
December 31, 2018 and 2017
(In thousands of reais)

	Note	2018	2017
Operating revenues			
GEF Agency	9	660	-
Reimbursement of projects	11	13,148	12,571
Recovery of costs	12	4,046	5,147
Services rendered	13	883	-
Gross revenue		18,737	17,718
Operating income (expenses)	14		
General and administrative expenses		(17,003)	(14,971)
		1,733	2,747
Finance income (costs)	15		
Finance costs		(512)	(652)
Finance income		2,294	3,258
		1,782	2,606
Operating income (expenses)		3,515	5,353
Surplus (deficit) from projects	8		
Accountability approved		108,976	97,207
Disbursement to partners		(13,938)	(18,753)
Funds invested		(95,527)	(78,516)
Accountability in progress		489	62
		-	-
Other operating income (expenses)			
Write-off of property and equipment		(18)	(10)
		(18)	(10)
Surplus for the year		3,498	5,343

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - Funbio

Statements of changes in net asset value
December 31, 2018 and 2017
(In thousands of reais)

	Note	FUNBIO Resources Fund ("FRF")	Accumulated surplus/(deficit)	Surplus for the year	Total net asset value
Balances at December 31, 2016		20,585	2,056	-	22,641
Surplus for the year		-	-	5,343	5,343
Prior year's adjustments		-	(398)	-	(398)
Allocation of surplus for the year	10	3,241	(3,241)	-	-
Transfer to accumulated surplus/(deficit)		-	5,343	(5,343)	-
Balances at December 31, 2017		23,826	3,760	-	27,586
Surplus for the year		-	-	3,498	3,498
Allocation of surplus for the year	10	2,626	(2,626)	-	-
Transfer to accumulated surplus/(deficit)		-	3,498	(3,498)	-
Balances at December 31, 2018		26,452	4,632	-	31,084

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - Funbio

Statements of cash flows
December 31, 2018 and 2017
(In thousands of reais)

	<u>12/31/2018</u>	<u>12/31/2017</u>
Operating activities		
Surplus for the year	3,498	5,343
Adjustments to reconcile surplus to cash provided by (used in) operating activities		
Depreciation and amortization	(204)	89
Finance income - FRF	(1,626)	(2,441)
	<u>1,667</u>	<u>2,991</u>
Changes in assets and liabilities		
Trade accounts payable	242	(191)
Payroll and labor obligations	402	8
Taxes and charges	82	(5)
Other accounts payable	(229)	291
Other assets	(158)	128
	<u>2,007</u>	<u>3,222</u>
Net cash provided by operating activities	<u>2,007</u>	<u>3,222</u>
Investing activities		
Contribution - FRF	(1,000)	(800)
Acquisition/disposals of property and equipment	(644)	(2)
	<u>(1,644)</u>	<u>(802)</u>
Net cash used in investing activities	<u>(1,644)</u>	<u>(802)</u>
Financing activities		
Funds received related to projects	122,039	104,840
Yielding on funds related to projects	6,643	77,020
Foreign exchange differences on funds related to projects	53,976	6,886
Financial management on funds related to projects	(4,181)	(4,254)
Costs related to projects	(140,383)	(141,458)
Increase in funds related to projects	(39,118)	(42,945)
(Increase)/decrease in net asset value	-	(398)
	<u>(1,024)</u>	<u>(309)</u>
Net cash used in financing activities	<u>(1,024)</u>	<u>(309)</u>
Increase (decrease) in cash and cash equivalents	<u>(661)</u>	<u>2,111</u>
Balance of cash and cash equivalents at end of year	4,643	2,532
Balance of cash and cash equivalents at beginning of year	3,982	4,643
Increase (decrease) in cash and cash equivalents	<u>(661)</u>	<u>2,111</u>

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements
December 31, 2018 and 2017
(In thousands of reais)

1. Operations

Fundo Brasileiro Para a Biodiversidade (FUNBIO) is a Brazilian private not-for-profit institution that operates in partnership with the government and business sectors as well as the civil society so that strategic and financial resources are earmarked for effective biodiversity conservation initiatives. The Entity's head office is located at Rua Voluntários da Pátria, nº 286, 5th and 6th floors, city of Botafogo, state of Rio de Janeiro.

The main activities carried out include the financial management of projects, the design of financial mechanisms and studies of new sources of funds for conservation, as well as purchases and engagements of goods and services. Since the beginning of its activities in 1996, FUNBIO has supported 285 programs and projects, benefiting 234 institutions across the country.

Funds invested by FUNBIO in 2018 presented a 12% growth, reaching the historic mark of R\$109 million (R\$97 million at December 31, 2017). Funds allocated to the implementation of projects and those used by the Entity to achieve its purposes under its by-laws are segregated and may be identified in this report.

At the end of the current year, assets managed by FUNBIO amount to R\$830 million (R\$788 million at December 31, 2017), a 5% growth, of which approximately 56% are related to long-term actions and projects organized in long-term funds.

FUNBIO's governance is led by the Decision-Making Board, which is composed of 16 members from academic institutions, environmental agencies, civil society, business and government sectors and is responsible for defining the organization's strategy and overall direction. The Decision-Making Board evaluates the strategic directions and institutional management: establishes a general policy, sets goals and priorities, which are transformed into actions by the Executive Secretariat. The Board of Trustee participates as volunteer, bringing their experience and knowledge. The Decision-Making Board is organized into Committees that address specific issues, such as Management, Project Techniques, Finance and Audit and Asset Management Committees.

In 2018, FUNBIO was accredited as the national implementing agency for Green Climate Fund (GCF), which supports projects to respond to climate change, earmarking investment in low carbon development and climate resilience. Since 2015, FUNBIO has been a national implementing agency for GEF, the Global Environment Facility, created in 1992 to support projects that respond to major environmental pressures on the planet.

The Entity also integrates the Latin American and Caribbean Network of Environmental Funds ("RedLAC"), with 21 organizations from 16 countries, which since 1999 have already managed over US\$2 billion in endowment and extinguishable funds, supporting more than 900 areas protected.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Presentation of financial statements and significant accounting policies

2.1. Statement of compliance

The Entity's financial statements for the year ended December 31, 2018 were prepared in accordance with the accounting practices adopted in Brazil, applicable to not-for-profit entities, which comprise the General Technical Interpretation (ITG) 2002 approved by CFC Resolution No. 1409/2012, and also pronouncements issued by Brazil's Financial Accounting Standards Board - FASB ("CPC"), approved by the CFC.

The issue of these financial statements was authorized by the Decision-Making Board on April 25, 2019.

2.2. Basis of measurement

The financial statements were prepared based on the historical cost, except short-term investments stated at fair value through profit or loss

2.3. Current and noncurrent assets and liabilities

The Entity presents assets and liabilities in the statement of financial position based on their current/noncurrent classification. An asset is classified as current when:

It is expected to be realized, or intended for sale or use in the ordinary operating cycle of the Entity;

- It is maintained essentially to be traded;
- It is expected to be realized within 12 months after the reporting date; or
- It is cash or cash equivalents (as defined in Accounting Pronouncement CPC 03 - Statement of Cash Flows), unless its exchange or use for settlement of liabilities is prohibited for at least 12 months after the reporting date.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousandos of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.3. Current and noncurrent assets and liabilities (Continued)

All other assets are classified as noncurrent. A liability is classified as current when:

- It is expected to be settled during the Entity's ordinary operating cycle;
- It is maintained essentially to be traded;
- It should be settled within 12 months after the reporting date; or
- The Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

2.4. Functional and reporting currency

These financial statements are presented in Brazilian reais (R\$), which is the Company's functional currency. All financial information presented in thousands of Brazilian reais was rounded to the nearest amount, unless otherwise stated.

2.5. Use of estimates and judgments

The preparation of these financial statements in accordance with accounting practices adopted in Brazil requires that the Entity's management use judgment to determine and recognize accounting estimates. Assets and liabilities subject to these estimates and assumptions include the economic useful life and residual value of property and equipment, as well as provision for contingencies. Settlement of transactions involving these estimates may result in amounts different from those estimated due to inaccuracies inherent to their determination process. The entity reviews its estimates and assumptions at least on an annual basis.

2.6. Foreign currency translation

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Exchange gains and losses stemming from the settlement of these transactions and from translation of monetary assets and liabilities denominated in foreign currency at the exchange rates prevailing at year-end are recognized in the statement of surplus or deficit.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.7. Cash and cash equivalents, funds related to projects, FRF and short-term investments

These include cash on hand, bank deposits and other highly-liquid short-term investments maturing within three months and posing insignificant risk of any change in their value. For purposes of the statement of cash flows, cash and cash equivalents include balances in secured accounts, when used.

The investments of the funds managed by Funbio, through Asset Manager, Pragma Gestão de Patrimônio Ltda., are diversified short- and long-term investments, from 1 to 8 years, with liquidity ranging from D+1 to D+ 180 days. These funds are invested in Government Securities - National Treasury Notes (NTN-Bs), local and international variable income, Hedge Fund, Fixed income Low Vol and fixed/inflation rate. Short-term investments are in compliance with the investment policies of each fund and guidelines from Funbio's Asset Management Committee.

2.8. Financial instruments

A financial instrument is a contract that gives rise to a financial asset of an entity and to a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, upon initial recognition, as subsequently measured at amortized cost, at fair value through other comprehensive surplus (deficit), and at fair value through surplus or deficit.

The classification of financial assets upon initial recognition depends on the characteristics of the contractual cash flows of the financial asset and of the Entity's business model for management of these financial assets. The Entity initially measures a financial asset at its fair value plus transaction costs, for the case of a financial asset not measured at fair value through surplus or deficit.

For a financial asset to be classified and measured at amortized cost or at fair value through other comprehensive surplus (deficit), it must generate cash flows that represent Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. This assessment is performed at an instrument level.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousandos of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.8. Financial instruments (Continued)

Financial assets (Continued)

The Entity's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Sales and purchases of financial assets that involve delivery of assets within a time frame established by regulation or in the marketplace concerned ((regular way trades) are recognized on the transaction date, i.e., the date on which the Entity commits itself to purchasing or selling the asset.

Subsequent measurement

For subsequent measurement purposes, the Entity's financial assets are classified into the following categories:

i) *Financial assets at fair value through surplus or deficit*

Financial assets at fair value through surplus or deficit include financial assets held for trading, financial assets designated upon initial recognition at fair value through surplus or deficit or financial assets to be mandatorily measured at fair value. Financial assets are classified as held for trading when acquired with the objective of sale or repurchase in the short term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through surplus or deficit, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive surplus (deficit), as described above, debt instruments may be designated at fair value through surplus or deficit upon initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through surplus or deficit are stated in the statement of financial position at fair value, and their corresponding gains or losses are recognized in the statement of surplus or deficit.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.8. Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement (Continued)

i) Financial assets measured at fair value through surplus or deficit (Continued)

This category includes listed net asset value investments which the Entity had not irrevocably elected to classify at fair value through other comprehensive surplus (deficit).

The Entity's financial assets at fair value through surplus or deficit mainly comprise short-term investments. The Entity has no derivative or embedded derivative transactions at December 31, 2018 and 2017.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Entity transferred its rights to receive cash flows of the asset or has assumed an obligation to fully pay the cash flows received, without significant delay, to a third party under a pass-through arrangement; and (a) the Entity transferred substantially all risks and rewards of the asset; or (b) the Entity has neither transferred nor retained substantially all risks and rewards related to the asset, but has transferred control over that asset.

When the Entity has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control over the asset, the Entity continues to recognise the transferred asset to the extent of its continuing involvement. In this case, the Entity also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Entity has retained.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousandos of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.8. Financial instruments (Continued)

Derecognition (Continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of (i) the value of the asset and (ii) the maximum amount of the consideration received that the Entity may be required to repay (guarantee amount).

Financial liabilities

Initial recognition and measurement

Upon initial recognition, financial liabilities are classified as financial liabilities measured at fair value surplus or deficit, loans and financing, accounts payable or derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are initially measured at fair value increased or decreased by, in the case financial liabilities other than at fair value through surplus or deficit, transaction costs that are directly attributable to the issue of the financial liability.

The Entity's financial liabilities include trade accounts payable, other accounts payable ad funds related to projects.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification, as follows:

i) Financial liabilities at fair value surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing within short term.

Gains and losses on liabilities held for trading are recognized in the statement of surplus or deficit.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousandos of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.8. Financial instruments (Continued)

Financial liabilities (Continued)

Subsequent measurement (Continued)

i) Financial liabilities measured at fair value through surplus or deficit (Continued)

Financial liabilities designated upon initial recognition at fair value through surplus or deficit are designated at the initial recognition date, and only if the criteria under CPC 48 are satisfied.

The Entity's financial liabilities at fair value through surplus or deficit mainly comprise funds related to projects.

Derecognition

A financial liability is derecognized when the obligation thereunder is extinguished, i.e., when the obligation specified in the contract is settled, canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of surplus or deficit.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.9. Property and equipment

Property and equipment items are measured at their historical cost, less accumulated depreciation and accumulated impairment losses, when applicable. The historical cost includes expenditures directly attributable to the acquisition of assets, including financing costs related to the acquisition of qualifying assets.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.9. Property and equipment (Continued)

Costs subsequently incurred are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, if, and only if it is probable that future economic benefits associated with the item will flow to the Entity and the cost of the item can be measured reliably. The carrying amount of replaced items or parts is written off. All other repair and maintenance costs are matched against surplus/deficit for the period, as incurred.

Depreciation of property and equipment items is recorded over their useful lives, as follows:

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

Residual values and useful lives of assets are reviewed and adjusted, as appropriate, at each year end.

The carrying amount of an asset is immediately discounted to its recoverable amount when the carrying amount exceeds the estimated recoverable amount.

The useful life is based on management's estimates of the period in which the assets will generate revenues, which are periodically reviewed for continuing adequacy. Changes in estimates may result in significant changes in the carrying amount, and the amounts are appropriated to the surplus or deficit for the year in accordance with the new estimates.

2.10. Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be fully recoverable. The carrying amount of an asset is reduced to its estimated recoverable amount when the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.11. Trade accounts payable

Trade accounts payable are liabilities payable for goods or services acquired from suppliers in the ordinary course of business and project management, classified under current liabilities if their payment falls due within one year (or business ordinary operating cycle, even if it is longer). Otherwise, trade accounts payable are stated as noncurrent liabilities. They are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. In practice, they are usually recognized at the amount of the corresponding invoice.

2.12. Provisions

Provisions are recognized when the Entity has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The Entity is party to labor, tax and civil proceedings in progress, and is discussing these matters both at administrative and legal levels, which are backed by judicial deposits. The provisions for losses, if any, arising from these proceedings are estimated and restated by management, supported by the opinion of its external legal advisors.

2.13. Third-party funds related to projects

Deposits made into FUNBIO accounts intended for implementation of projects and based on contractual instruments are recognized as an obligation of the Entity to donors and/or partners. At the time that projects are implemented, these obligations are matched against "Accountability approved" in the statement of surplus or deficit for the year.

2.14. Realizable and settlement values

Other assets and liabilities are stated at realizable and settlement values, respectively, and include where applicable, monetary variations or foreign exchange differences, as well as income earned and charges incurred through the statement of financial position date, recognized on a *pro rata temporis* basis. When applicable, provisions are set up for impairment of assets to market or probable realizable value. The balances receivable and payable within 12 months from the statement of financial position date are classified as current assets and liabilities, respectively.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousandos of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.15. Revenue recognition

Revenue comprises the fair value of the reimbursement of expenses with projects, recovery of costs and service rendering, if any, in the ordinary course of the Entity's business.

The revenue from reimbursement of projects is recognized in the statement of surplus or deficit when FUNBIO is reimbursed for the management and implementation of projects, according to the purposes stated in its by-laws. These revenues are provided for in the budgets of the projects that are an integral part of contractual agreements.

The revenue from recovery of costs is calculated based on a variable percentage according to the implementation of projects, and these amounts are provided for in contractual instruments and budgets prepared to achieve the objectives of projects, and does not constitute free resources for the institution. This is recognized in the statement of surplus or deficit upon accountability of projects.

Revenue from services rendered is recognized in the statement of surplus or deficit when it can be reliably estimated, associated with the transaction by reference and the stage of completion of its services, to the extent that contractual obligations are satisfied.

6.9.1 Finance income

Finance income is recognized using the effective interest rate method.

2.16. Recognition of expenses related to projects

Expenses incurred in relation to projects are recognized in the statement of surplus or deficit for the year under "Disbursement to partners", "Funds invested", and "Accountability in progress", as incurred.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousandos of reais)

2. Presentation of financial statements and significant accounting policies (Continued)

2.17. Tax obligations

2.17.1. Income and social contribution taxes

Requirements set forth by Law No. 9790/99

As a not-for-profit entity, FUNBIO is exempt from payment of income and social contribution taxes, as provided for in article 15 of Law No. 9532/97, provided that the requirements set forth in letters “a” to “h” of paragraph 2 of article 12 of referred to Law are met, namely:

- Do not pay any compensation to its officers for the services provided, unless in the case of not-for-profit associations, foundations or public interest organizations, whose officers may be compensated, provided that they play an active executive management role and the requirements set out in articles 3 and 16 of Law No. 9790 of March 23, 1999, are met, and provided that the compensation amount does not exceed the maximum amounts paid by the market in the region corresponding to their area of operation, which will be set by the Entity’s senior management, recorded in Minutes of meetings, and communicated to the Federal Prosecution Office, in the case of foundations.
- Invest all the Entity’s funds in the maintenance and development of the purposes in its by-laws;
- Bookkeeping all its revenues and expenses in proper books that ensure their accuracy; properly keep, over a five-year period, counted from the issue date, documents that prove the source of the Entity’s revenues and support expenses incurred as well as the performance of any other actions or operations that may change its financial position;
- Annually submit its Income Tax Returns according to the provisions established by the Brazilian Internal Revenue Service (RFB);
- Pay the taxes withheld on earnings paid or credited, and the social security contribution relating to employees as well as comply with accessory obligations arising therefrom;
- Ensure that its net asset value is allocated to another institution that satisfies the conditions for enjoying immunity, in case of merger, consolidation, spin-off or discontinuance of activities, or to a governmental body;
- Other requirements set forth in a specific law, relating to the operation of the entities referred to in this article.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
December 31, 2018 and 2017
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2. Presentation of financial statements and significant accounting policies (Continued)

2.17. Tax obligations (Continued)

2.17.2. Contribution Taxes on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS)

According to article 13 of Provisional Executive Order (MP) No. 2158-35/2001, not-for-profit entities that hire employees, as defined by the Labor Law, are required to pay PIS contribution at a fixed rate of 1% on monthly payroll. These entities are exempt from paying PIS on revenues, under the terms of paragraph 1 of article 14 of MP No. 2158-35/01, provided that these meet the requirements of article 12 of Law No. 9532/97.

Regarding COFINS, item X of article 14 of MP 2158-35/2001 establishes that not-for-profit institutions are exempt from paying COFINS on revenues. Also in this case, enjoying the exemption is contingent upon the compliance with the requirements of article 12 of Law No. 9532/97.

The Entity has complied with the requirements of Law No. 9532/97 in order to enjoy the aforementioned exemptions.

2.18. Statement of comprehensive surplus (deficit)

The statements of comprehensive surplus (deficit) are not presented as there are no amounts to be presented on this concept, i.e., surplus or deficit for the year is equal to total comprehensive surplus (deficit).

3. Financial risk management

The Entity is exposed to the following risks arising from the use of financial instruments: Market and liquidity risks

Following is information on the Entity's exposure to each of the foregoing risks, as well as its objectives, policies and processes for measuring and managing such risks, as well as capital management. Enhanced quantitative disclosures are provided throughout these financial statements.

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Notes to financial statements (Continued)
December 31, 2018 and 2017
(In thousands of reais)

3. Financial risk management (Continued)

Market risk

Market risk is the risk that changes in market prices, such as interest rates of short-term investments of the Entity, will impact the gains due to its portfolio or the amount of its interests in financial instruments.

For short-term investments (CDB and fixed income funds held in Banco do Brasil), the Entity manages market risks through investments in low market risk funds with low financial leverage, always operating with prime financial institutions. In this regard, the currency risk is the main market risk arising from projects, which are financed by foreign entities.

For investments in funds managed by Funbio, through Pragma Patrimônio (Funbio Asset Manager), the market risk considers the investment policies of each fund and invests in different assets to minimize volatility and obtain the expected returns in each investment policy. The classes of assets will be subject to the market value; the objective of a medium and long-term portfolio comprised of different assets is to mitigate the market risk. For funds whose investment policies maintain a percentage invested abroad, the main risk is the currency risk.

Currency risk

This risk arises from the possibility of the Entity incurring losses due to foreign exchange fluctuations, which reduce nominal amounts invoiced or increase funds raised in the market.

Projects are implemented and budgeted in Brazilian reais (R\$), and any unallocated balances present in project accountability are restated by the prevailing exchange rate. Reconciliations of unallocated portions with the goals defined for the project are made from time to time, and in case of significant variations a project replanning is performed.

Liquidity risk

This is the risk of the Entity not having sufficient net funds to meet its financial commitments, as a result of mismatching of term or volume between expected receivables and payables.

In order to manage cash liquidity, assumptions of future disbursements and receipts are set up and monitored by the Treasury department. This control is performed to manage the Entity's accounts and each one of its projects.

Fundo Brasileiro para a Biodiversidade - Funbio

Notes to financial statements (Continued)
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3. Financial risk management (Continued)

Credit risk

The Entity's credit risk may be attributed mainly to its cash and cash equivalent balances and short-term investments. The amounts presented as trade accounts receivable are stated net of the allowance for doubtful accounts.

The Entity invests its cash surplus in government securities and corporate bonds in accordance with the standards approved by management, which follow the Entity's policy for concentration of credit risk. Investments with private credit risk are made only at prime financial institutions.

4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency

Description	Note	12/31/2018	12/31/2017
Cash and cash equivalents	4.a	3,982	4,643
FUNBIO Resources Fund ("FRF")	4.e	26,452	23,826
Total own funds		30,434	28,469
Funds related to GEF Agency	4.b	7,313	9,195
Funds related to projects - current	4.c	280,486	286,665
Funds related to projects - noncurrent	4.d	507,417	462,120
Total funds related to projects		795,216	757,980

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Notes to financial statements (Continued)
December 31, 2018 and 2017
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W

4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency

4.a. Breakdown of cash and cash equivalent balances of own funds at December 31:

Description	2018	2017
Fixed fund	4	4
<i>Short-term investments in Brazil</i>		
Banco do Brasil CDB - Administrative	3,350	4,236
Itaú CDB - Administrative	335	-
Itaú AUTOM INVEST MA/S – Administrative	12	71
Itaú Repurchase agreement ID – Administrative	-	318
	3,697	4,625
<i>Foreign Bank</i>		
Banco do Brasil NY FUNBIO (*)	8	7
Banco do Brasil NY - Invest. ALLO - ADM	273	7
	281	14
Total cash and cash equivalents	3,982	4,643

4.b. Breakdown of the balances of funds related to GEF Agency at December 31:

Description	12/31/2018	12/31/2017
<i>Short-term investments in Brazil</i>		
Banco do Brasil RF LP -GEF Agency Grant Prospec.	3,590	4,858
Banco do Brasil CDB - GEF Agency FUNBIO	3,643	4,162
Banco do Brasil CDB - GEF Agency Project	80	175
Total funds related to GEF Agency	7,313	9,195

4.c. Breakdown of the balances of funds related to projects in current assets at December 31:

Description	12/31/2018	12/31/2017
<i>Banks in Brazil⁽¹⁾</i>	1,844	1,587
	1,844	1,587

1) This account comprises various domestic current accounts in prime banks.

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Notes to financial statements (Continued)
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4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency (Continued)

<i>Description</i>	12/31/2018	12/31/2017
<i>Short-term investment in Brazil - Bank Deposit Certificate (CDB)</i>		
Itaú CDB – Fauna (Fauna Portfolio)	455	67
Bradesco – FMA Agreement - Instr. III -A - Finan. Trustee ⁽²⁾	32,391	-
Bradesco - FMA Agreement - Instr. I-A Environmental Com. ⁽²⁾	74,121	-
Bradesco - FMA Agreement - Instr. V – “TAC” (Conduct Adjustment Agreement) ⁽²⁾	5,194	-
Bradesco - FMA Agreement - Instr. I-C Res. Land Reg. ⁽²⁾	5,990	-
Bradesco - FMA Agreement - Instr. IV - OP. Forest Rest. ⁽²⁾	2,470	-
Bradesco - FMA Agreement - Instr. I-B CA Federal ⁽²⁾	3,131	-
Bradesco - FMA Agreement - Instr. VI - OP. Other Sources ⁽²⁾	1	-
Banco do Brasil CDB - FMA CV	327	1,054
Banco do Brasil CDB - Adoption of Parks (OGX FN)	-	107
Banco do Brasil CDB - AFCOF III	224	436
Banco do Brasil CDB - ARPA IDB	-	2,303
Banco do Brasil CDB – ARPA IDB MSC	-	286
Banco do Brasil CDB - Fauna Portfolio (Spix's Macaw)	-	134
Banco do Brasil CDB - Fauna Portfolio (Sirênios)	-	26
Banco do Brasil CDB – Chevron - Fishing and Marine Research	21,519	16,284
Banco do Brasil CDB – Chevron Porpoise Conservation	11,626	8,876
Banco do Brasil CDB – GEF MAR	3,877	1,928
Banco do Brasil CDB - GEF Nutrition	16	574
Banco do Brasil CDB – Kayapo	225	248
Banco do Brasil CDB - KfW ARPA 2nd Phase	89	3,358
Banco do Brasil CDB – Project K	150	266
Banco do Brasil CDB - RVS Rio da Prata	525	497
Banco do Brasil CDB – TFCA	97	73

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Notes to financial statements (Continued)
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4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency (Continued)

4.c. Breakdown of the balances of funds related to projects in current assets at December 31:
(Continued)

<i>Description</i>	12/31/2018	12/31/2017
<i>Short-term investment in Brazil - Bank Deposit Certificate (CDB)</i>		
Banco do Brasil CDB – TAC Caçapava	-	34
Banco do Brasil CDB – Chevron Cons. of Protected Areas RJ	14,003	10,968
Banco do Brasil CDB – Chevron Cras RJ	2,801	2,697
Banco do Brasil CDB – Chevron Envir. Education	13,017	8,050
Banco do Brasil CDB – Mozambique	-	6
Banco do Brasil CDB – Rock in Rio	508	504
Banco do Brasil CDB – Probio MMA Balance	295	548
Banco do Brasil CDB – Chevron Fed. Protected Areas Phase II	9,011	5,988
Banco do Brasil CDB – Chevron Enviro. Educ. Phase II	9,305	2,975
Banco do Brasil CDB – CAF Amazon	-	1,478
Banco do Brasil CDB – Chevron Cras Phase II	1,360	-
Banco do Brasil CDB - Funbio Scholarship	1,011	-
Banco do Brasil CDB – Gef MAR - Petrobras	27,188	-
Banco do Brasil CDB – Amazonian Mangroves	105	-
Banco do Brasil CDB – GEF TERRESTRE	583	-
Banco do Brasil CDB – REM Mato Grosso	22,124	-
Banco do Brasil CDB - FT Operational	21	3,743
Banco do Brasil CDB - GEF BM Arpa II	-	160
	263,760	73,668

<i>Description</i>	12/31/2018	12/31/2017
<i>Short-term investments in Brazil – Fixed income</i>		
Bradesco - FMA Agreement - Instr. III -A - Finan. Trustee ⁽²⁾	-	30,841
Bradesco - FMA Agreement - Instr. I-A Envir. Compensation ⁽²⁾	-	125,230
Bradesco - FMA Agreement - Instr. V – TAC ⁽²⁾	396	13,370
Bradesco - FMA Agreement - Instr. VI - OP. Other Sources ⁽²⁾	5,846	15,418
Bradesco - FMA Agreement - Instr. I-C Res. Land Reg. ⁽²⁾	2,619	8,636
Bradesco - FMA Agreement - Instr. IV - OP. Forest Rest. ⁽²⁾	-	2,324
Bradesco - FMA Agreement - Instr. I-B CA Federal ⁽²⁾	-	2,990
Banco do Brasil RF LP - PROBIO Opportunity Fund	3,716	5,660
Banco do Brasil RF LP – TFCA	230	841
	12,807	205,310

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Notes to financial statements (Continued)
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4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency (Continued)

4.c. Breakdown of the balances of funds related to projects in current assets at December 31:
(Continued)

Description	12/31/2018	12/31/2017
<i>Other short-term investments in Brazil</i>		
Itaú PRIV EXCLUSIVE FIC - Fauna Fund Portfolio	133	126
Itaú AUTOM INVEST MA/S - Fauna Fund Portfolio	-	1
Itaú Repurchase Agreement ID – Fauna (Fauna Portfolio)	68	411
	201	538
<hr/>		
Description	12/31/2018	12/31/2017
<i>Banks and foreign investments</i>		
Banco do Brasil Frankfurt – FFEM	244	993
Banco do Brasil Frankfurt – ARPA KFW	-	3,344
Banco do Brasil NY - Project k	8	7
Banco do Brasil Frankfurt – Mata Atlântica III	1,530	1,057
Banco do Brasil NY short-term investment - Project k	92	162
	1,874	5,563
<hr/>		
Total funds related to projects in current assets	280,486	286,665

- 2) The short-term investments made by Banco Bradesco S/A, as FMA's financial Manager under Cooperation Agreement No. 004/2016, are repurchase agreements backed by debentures issued by Bradesco Leasing S/A - Lease yielding 100% of the CDI, whose Head Coordinators are Banco Bradesco S/A or Banco Bradesco BBI S/A. itself. The liquidity of the repurchase agreements does not have a grace period, making it possible to Funbio to make its daily payment operations, in its Operational Manager activity. Cooperation Agreement No. 04/2016, clause 3, About the intermediation, paragraph 2, establishes that "the Operational Manager (Funbio) is hold harmless from any liability for the financial operation of the funds, its investments and yields".

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Notes to financial statements (Continued)
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4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency (Continued)

4.d. Breakdown of the balances of funds related to projects in noncurrent assets at December 31:

Description	12/31/2018	12/31/2017
<i>Short-term investments in Brazil - Asset Manager</i>		
Itaú Pragma BANYAN - Fund ⁽³⁾	258	469
Itaú Pragma LIBER MM - Kayapó Fund ⁽³⁾	3,825	3,995
Itaú Pragma LYNX MM – Kayapó Fund ⁽³⁾	762	4,379
Itaú Pragma HONOR - Kayapó Fund ⁽³⁾	1,311	1,225
Itaú Pragma LYNX II - Kayapó Fund ⁽³⁾	40	39
Itaú Private EFFICAX - Kayapó Fund ⁽³⁾	12,758	8,396
Itaú Pragma BANYAN – Transition Fund – FT ⁽⁴⁾	-	132
Itaú Pragma LYNX II – Transition Fund – FT ⁽⁴⁾	7	7
Itaú Pragma HONOR – Transition Fund – FT ⁽⁴⁾	1,609	-
Itaú Pragma SUMAUMA – Transition Fund – FT ⁽⁴⁾	106,843	76,434
Itaú Pragma ARES – Transition Fund – FT ⁽⁴⁾	-	627
Itaú Private EFFICAX – Transition Fund – FT ⁽⁴⁾	14,719	3,014
BYN Mellon – Transition Fund - FT ⁽⁴⁾	406	-
Itaú - World EQ Fia – Transition Fund - FT ⁽⁴⁾	946	-
Itaú Pragma ARES – Transition Fund - FT KfW ⁽⁴⁾	190	179
Itaú Pragma BANYAN – Transition Fund - FT KfW ⁽⁴⁾	-	940
Itaú Pragma HONOR – Transition Fund - FT KfW ⁽⁴⁾	7,792	8,962
Itaú Pragma LIBER – Transition Fund - FT KfW ⁽⁴⁾	64	4,875
Itaú Pragma LYNX MM – Transition Fund - FT KfW ⁽⁴⁾	-	8,773
Itaú Private EFFICAX - FT KfW ⁽⁴⁾	4,191	7,759
Credit Suisse – Transition Fund - FT KfW ⁽⁴⁾	-	13,119
Itaú Pragma LIBER –Bahia and ES Fund ⁽⁶⁾	1,319	1,220
Itaú Pragma HONOR – Bahia and ES Fund ⁽⁶⁾	824	718
Itaú Pragma ARES – Bahia and ES Fund ⁽⁶⁾	664	-
Itaú EFFICAX - Bahia and ES Fund ⁽⁶⁾	757	779
J.P Morgan – Bahia and ES Fund ⁽⁶⁾	-	369
BNY Mellon – Bahia and ES Fund ⁽⁶⁾	386	-
Itaú Pragma LIBER – Amapá Fund ⁽⁷⁾	1,733	1,561
Itaú Pragma ARES – Amapá Fund ⁽⁷⁾	880	827
Itaú Pragma HONOR – Amapá Fund ⁽⁷⁾	1,061	896
Itaú Private EFFICAX– Amapá Fund ⁽⁷⁾	925	1,016
J.P Morgan – Amapá Fund ⁽⁷⁾	-	518
BNY Mellon – Amapá Fund ⁽⁷⁾	544	-
	164,814	151,228

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Notes to financial statements (Continued)
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4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency (Continued)

4.d Breakdown of the balances of funds related to projects in noncurrent assets at December 31:
(Continued)

Description	12/31/2018	12/31/2017
<i>Foreign Banks</i>		
Itaú MIAMI – Transition Fund ⁽⁴⁾	-	551
Itaú MIAMI – Transition Fund KfW ⁽⁴⁾	-	16
Itaú MIAMI –Amapá Fund ⁽⁷⁾	294	90
Itaú Miami - Bahia and ES Fund ⁽⁶⁾	36	-
Julius Bär – Transition Fund ⁽⁴⁾	10,172	-
	10,502	657
<i>Foreign financial investments</i>		
Itaú MIAMI – Amapá Fund ⁽⁷⁾	4,995	4,669
Itaú MIAMI – Transition Fund ⁽⁴⁾	-	295,718
Itaú MIAMI - Transition Fund KfW ⁽⁴⁾	-	6,323
Itaú MIAMI - BA and ES Fund ⁽⁶⁾	3,957	3,526
Julius Bär - Transition Fund ⁽⁴⁾	323,149	-
	332,101	310,236
Total funds related to projects in noncurrent assets	507,417	462,120

4.e. Breakdown of the balances of FUNBIO Resources Fund (“FRF”) at December 31:

Description	12/31/2018	12/31/2017
<i>Short-term investments in Brazil - Asset Manager ⁽⁵⁾</i>		
Itaú Pragma LIBER - FUNBIO Resources Fund (“FRF”)	8,851	7,796
Itaú Pragma BANYAN - FUNBIO Resources Fund (“FRF”)	-	306
Itaú Pragma LYNX II - FUNBIO Resources Fund (“FRF”)	16	16
Itaú Pragma HONOR - FUNBIO Resources Fund (“FRF”)	2,423	2,987
Itaú Pragma ARES - FUNBIO Resources Fund (“FRF”)	-	465
Itaú Pragma LYNX MM - FUNBIO Resources Fund (“FRF”)	1,098	2,856
Itaú Private EFFICAX - FRF	8,318	3,703
J.P Morgan - FRF	-	2,077
Credit Suisse – FUNBIO Resources Fund (“FRF”)	3,568	3,620
BNY Mellon – FRF	2,178	-
Total FUNBIO Resources Fund (“FRF”)	26,452	23,826

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Notes to financial statements (Continued)
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4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency (Continued)

4.d and 4.e) Asset Manager

The types of local investments made by the funds are the following:

- Kayapó Fund^(4.d-3):

Local portfolio:	Fixed income Low Vol	73%
	Fixed income	20%
	Variable income	7%

- FRF ^(4.e-5):

Local portfolio:	Fixed income Low Vol	36%
	Fixed income	33%
	Hedge Fund	13%
	Variable income	10%
	Variable income off	8%

- Transition Fund ^(4.d-4):

Local portfolio:	Fixed income Low Vol	32%
	Fixed income	48%
	Hedge Fund	9%
	Variable income	7%
	Variable income off	4%

- AFPA BA and ES Fund ^(4.d-6):

Local portfolio:	Fixed income Low Vol	19%
	Fixed income	33%
	Hedge Fund	17%
	Variable income	21%
	Variable income off	10%

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Notes to financial statements (Continued)
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4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency (Continued)

4.d and 4.e) Asset Manager (Continued)

- AMAPÁ Fund^(4.d-7):

Local portfolio:	Fixed income Low	18%
	Vol	
	Fixed income	33%
	Hedge Fund	17%
	Variable income	21%
	Variable income off	11%

The types of off investments made by the funds are the following:

- AMAPÁ Fund ^(4.d-7):

Off portfolio:	Fixed income Low	23%
	Vol	
	Fixed income	23%
	Variable income	54%

- Transition Fund (Julius Bär) ^(4.d-4):

<u>Off portfolio:</u>	CHF Cash	0.02%
	DKK Cash	0.00%
	EUR Cash	0.02%
	USD Cash	3.02%
	Short-term investments -	
	TREAS BILL	8.01%
	Fixed income - Bonds	36.23%
	Variable income - Equites	52.71%

- AFPA BA and ES Fund ^(4.d-6):

Off portfolio:	Fixed income Low	19%
	Vol	
	Fixed income	24%
	Variable income	57%

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Notes to financial statements (Continued)

December 31, 2018 and 2017

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4. Cash and cash equivalents, FRF, funds related to projects and GEF Agency (Continued)

The amounts stated as cash, domestic banks, foreign banks and financial investments represent the Entity's own balances, which are intended for operational and administrative maintenance thereof, and these are readily convertible into cash and subject to insignificant risk of change in value. Financial investments consist of Funds and Bank Deposit Certificates (CDBs) acquired at rates ranging from 96% to 101% (96% to 101% at December 31, 2017) of the Interbank Deposit Certificate (CDI) rate, are recorded at the invested amount, plus income earned through the statement of financial position date, where the fair value does not exceed the market value.

Cash and cash equivalents related to projects and GEF Agency represent the amounts transferred by various sponsors to the Entity, which are kept in individual checking accounts of each project, and investments are kept in investment funds, repurchase agreements and Bank Deposit Certificates (CDBs), whose liquidity is below 90 days, with insignificant risk of reduction in value. These investments are comprised of CDBs and repurchase agreements (Bradesco) yielding the CDI rate and other investments in investment funds, held in prime financial institutions. These investments are recorded at the invested amount, plus income earned through the statement of financial position date, where the fair value does not exceed the market value.

The investments of the Funds managed by FUNBIO, through Pragma Gestão, are diversified short- and long-term investments, from 1 to 8 years, with liquidity ranging from D+1 to D+ 180 days. These funds are invested in Government Securities - National Treasury Notes (NTN-Bs), local and international variable income, Hedge Fund, Fixed income Low Vol and fixed/inflation rate.

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Notes to financial statements (Continued)
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5. Property and equipment

a) Breakdown

Description	Annual depreciation rate	12/31/2018			
		Cost	Accumulated depreciation	Property and equipment, net	Property and equipment, net at 12/31/2017
Furniture and fixtures	10%	570	-49	521	49
Machinery and equipment	10%	244	-94	150	110
IT equipment	20%	1,067	-705	362	366
Leasehold improvements	4% to 33%	1,016	-522	494	154
Total		2,897	-1,370	1,527	679

Description	Annual depreciation rate	12/31/2017			
		Cost	Accumulated depreciation	Property and equipment, net	Property and equipment, net at 12/31/2016
Furniture and fixtures	10%	321	(272)	49	61
Machinery and equipment	10%	248	(138)	110	117
IT equipment	20%	1,022	(656)	366	425
Leasehold improvements	4% to 33%	663	(509)	154	163
Total		2,254	(1,575)	679	766

b) Changes

Description	Furniture and fixtures	Machinery and equipment	IT equipment	Leasehold improvements	Total
Balance at December 31, 2016	61	118	425	163	766
Acquisitions	-	12	97	-	109
Write-offs	(12)	(15)	(80)	-	(107)
Depreciation	-	(4)	(76)	(9)	(89)
Balance at December 31, 2017	49	110	366	154	679
Acquisitions	515	65	174	354	1,108
Write-offs	(8)	(5)	(23)	-	(36)
Depreciation	(35)	(20)	(155)	(14)	(224)
Balance at December 31, 2018	521	150	362	494	1,527

Impairment of assets

During the year ended December 31, 2018, the Entity's management did not find any indicators that the carrying amount of certain assets could be higher than their recoverable amount.

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Notes to financial statements (Continued)
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6. Trade accounts payable

Description	12/31/2018	12/31/2017
Grant Thomton Auditores Independentes	-	158
Alegria Indústria e Comércio Ltda.	84	-
Ferrari & Cia Ltda.	286	-
A.F. Comércio e Serviços Técnicos Ltda.	14	14
Indra Com. De Máquinas e Motores	30	-
Total	414	172

7. Payroll and labor obligations

Description	12/31/2018	12/31/2017
Accrued vacation pay and related charges	1,334	1,060
Salaries payable	473	425
Withholding Income Tax (IRRF) payable	275	260
Social Security Tax (INSS) payable	220	169
Unemployment Compensation Fund (FGTS) payable	78	70
Contribution Tax on Gross Revenue for Social Integration Program (PIS) payable	10	9
Other	19	14
Total	2,409	2,007

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8. Third-party funds related to projects

Changes in balances of projects for 2018

	12/31/2017	Funds received	Short-term investment yields	Finance costs	Foreign exchange differences	Funds used accountability	Accountability In progress	Transfers (Funbio revenue) ⁽⁴⁾	Transfer to IDG ⁽¹⁾	Disbursements / internal transfer	Accountability in progress/Other transfers	12/31/2018	Note
ARPA 2nd Phase-GEF BM	160	-	4	-	-	-	-	(4)	-	-	-	-	
ARPA 2nd Phase -KfW	6,593	4,187	(11)	(38)	(81)	(8,698)	(22)	(2,111)	-	-	248	67	8.1
ARPA FT – Operational	5,398	-	181	(160)	-	(39,971)	(416)	(4,249)	-	40,500	(87)	1,196	8.1
ARPA FT-IDB MSC	282	598	10	(3)	-	(706)	-	(111)	-	-	(70)	0	8.1
ARPA FT-IDB SCI	2,301	1,573	48	(8)	-	(3,263)	-	(364)	-	-	(287)	0	8.1
Acordo FMA - Instr. I-A Envir. Compensation [Brad. 3000-7] ⁽¹⁾	125,231	238	4,838	(1)	-	(18,653)	-	(2,250)	(35,282)	-	-	74,121	8.1
Acordo FMA - Instr. I-B CA Federal (Brad. 3001-5)	2,991	-	154	-	-	-	-	(12)	-	-	-	3,133	8.2
Acordo FMA - Instr. I-C Res. Land Regulation (Brad. 3002-3)	8,636	-	455	-	-	(481)	-	-	-	-	-	8,610	8.2
Acordo FMA - Instr. II - OP. Donations (Brad. 3003-1)	-	-	-	-	-	-	-	-	-	-	-	-	8.2
FMA Agreement- Instr. III - A - Finan. Trustee (Brad. 3005-8)	30,842	-	1,549	-	-	-	-	-	-	-	-	32,391	8.2
FMA Agreement- Instr. III-B - Finan. Trustee CV (BB 25,738-3) ⁽²⁾	1,054	-	40	(8)	-	(788)	-	-	-	-	29	327	8.2
FMA Agreement- Instr. IV - OP. Forest Rest. (Brad. 3008-2)	2,324	39	121	-	-	-	-	(13)	-	-	-	2,471	8.2
FMA Agreement- Instr. V - TAC [Brad. 3009-0]	13,370	-	532	-	-	(7,926)	-	(386)	-	-	-	5,590	8.2
FMA Agreement- Instr. VI - OP. Other Sources (Brad. 3010-4) ⁽³⁾	15,420	-	520	-	-	-	-	(55)	(10,037)	-	-	5,848	8.2
TFCA – Tropical Forest Conservation Act	908	-	28	-	-	(601)	-	(65)	-	-	57	327	8.3
Kayapó Operational	-	234	12	-	-	(784)	-	(105)	-	620	-	226	8.4
Adoption of Parks	604	-	33	(2)	-	(110)	-	-	-	-	-	525	8.5
Opportunity Fund – Probio II	5,696	-	219	-	-	(1,950)	-	(266)	-	-	16	3,715	8.6
Fauna Brasil Portfolio - Spix's Macaw	135	-	4	(1)	-	(123)	-	(15)	-	-	-	-	8.7
Fauna Brasil Portfolio - Sirênios	26	-	-	-	-	(3)	-	-	-	(23)	-	-	8.7
Fauna Brasil Fund Portfolio	602	-	38	(6)	-	-	-	(1)	-	23	-	656	8.7
ARPA for Life – New Sources	-	-	-	-	-	-	-	-	-	-	-	-	8.8
GEF Nutrition	574	689	41	(4)	-	(862)	-	(422)	-	5	-	21	8.9
Paíteer Suruí Fund	-	-	-	-	-	-	-	-	-	-	-	-	8.10
GEF Mar	1,915	12,808	71	(17)	-	(10,188)	(46)	(733)	-	-	-	3,810	8.11
GEF Mar – Petrobras	-	27,500	162	(3)	-	(446)	-	-	-	-	-	27,213	8.11
Subtotal	225,312	47,866	9,049	(250)	(81)	(95,553)	(484)	(11,163)	(45,319)	41,125	(94)	170,247	

(1) On May 15, 2018 by virtue of Agreement No. 004/2016, the amount of R\$35,282 million was transferred to Operational Manager *Instituto de Desenvolvimento e Gestão* (IDG).

(2) In 2018, the amounts received totaled **R\$785 thousand, of which R\$788 thousand** were accounted for, R\$26 thousand were returned, remaining a balance of R\$29 thousand to be accounted for.

(3) On May 11, 2018 by virtue of Agreement No. 004/2016, the amount of R\$10,037 million was transferred to Operational Manager *Instituto de Desenvolvimento e Gestão* (IDG).

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8. Third-party funds related to projects

Changes in balances of projects for 2018 (Continued)

	12/31/2017	Funds received	Short-term investment yields	Finance costs	Foreign exchange differences	Funds used accountability	Accountability in progress	transfers (Funbio revenue) ⁽⁴⁾	Transfer to IDG ⁽¹⁾	Disbursements/ internal transfer	Accountability in progress/Other transfers	12/31/2018	Note
Subtotal	225,312	47,866	9,049	(250)	(81)	(95,553)	(484)	(11,163)	(45,319)	41,125	(94)	170,247	
Project K – KNOWLEDGE FOR ACTION*	1,428	1,394	8	(13)	96	(2,236)	-	(185)	-	-	-	493	8.12
Moore Sustainability	-	-	-	-	-	-	-	-	-	-	-	-	8.13
Chevron - Fishing and Marine Research	16,284	11,252	725	-	-	(5,295)	-	(1,445)	-	-	-	21,521	8.14
Chevron – Porpoise Conservation	8,876	5,006	410	-	-	(1,971)	-	(695)	-	-	-	11,626	8.14
Chevron – Environmental Education	8,051	5,190	480	-	-	(165)	-	(541)	-	-	-	13,015	8.14
Chevron - Environmental Education - Phase II	2,976	6,706	263	-	-	-	-	(640)	-	-	-	9,305	8.14
Chevron - Conservation of Protected Areas	10,968	3,068	628	-	-	(176)	-	(485)	-	-	-	14,003	8.14
Chevron - Conservation of Protected Areas - Phase II	5,988	3,402	305	-	-	(295)	(2)	(390)	-	-	-	9,008	8.14
Chevron - CRAS RJ	2,697	-	143	-	-	(4)	-	(34)	-	-	-	2,802	8.14
Chevron – CRAS RJ – Phase II	-	1,468	48	-	-	-	-	(155)	-	-	-	1,361	8.14
TAC Aerolave Caçapava	34	147	1	-	-	(130)	-	(52)	-	-	-	-	8.15
R20	-	344	-	(1)	-	(309)	-	(34)	-	-	-	-	8.16
Amazônia Live - Rock in Rio	488	1,237	18	-	-	(1,016)	-	(218)	-	-	-	509	8.17
Funbio - Bioguiné	-	-	-	-	-	-	-	-	-	-	-	-	8.18
Mata Atlântica III	1,492	2,423	8	(8)	104	(1,000)	(2)	(699)	-	-	(564)	1,754	8.19
Redlac Meeting	-	-	-	-	-	-	-	-	-	-	-	-	8.20
Support to BIOFUND - Mozambique	6	-	-	-	-	-	-	-	-	-	(6)	-	8.21
Cop Cancun13	-	-	-	-	-	-	-	-	-	-	-	-	8.22
Federal Environmental Compensation in Amazon - CAF	1,478	-	48	(8)	-	(9)	-	321	-	-	(1,830)	-	8.23
Forest Innovation	3	322	9	(1)	-	(153)	-	(181)	-	-	1	-	8.24
Cooperation Agreement between Funbio and MMA - Probio II	548	-	25	-	-	(261)	-	-	-	-	-	312	8.25
Publication of state Protected Areas of Amazon Region	-	-	-	-	-	-	-	-	-	-	-	-	8.26
Funbio Scholarships - Preserving the Future	-	1,000	19	-	-	(13)	-	-	-	-	-	1,006	8.27
Amazonian Mangroves – RAMSAR Sites	-	143	-	-	-	(37)	-	-	-	-	-	106	8.28
GEF Land	-	586	-	(3)	-	(351)	-	-	-	-	-	232	8.29
REDD Early Movers Mato Grosso - REM MT	-	22,205	5	(85)	-	-	-	-	-	-	-	22,125	8.30
Subtotal	61,317	65,893	3,143	(118)	200	(13,422)	(4)	(5,433)	-	-	(2,399)	109,177	
Transition Fund	426,802	39,065	(4,307)	(3,429)	52,458	-	-	-	-	(40,500)	-	470,089	8.1
Kayapó Fund	18,505	-	1,308	(240)	-	-	-	-	-	(620)	-	18,953	8.4
Amapá Fund	9,576	-	325	(269)	800	-	-	-	-	-	-	10,432	8.31
Bahia and Espírito Santo Fund – AFPA Fund	7,237	-	164	(58)	600	-	-	-	-	-	-	7,943	8.32
	462,120	39,065	(2,510)	(3,996)	53,858	-	-	-	-	(41,120)	-	507,417	
	748,749	152,824	9,682	(4,364)	53,977	(108,975)	(488)	(16,596)	(45,319)	5	(2,493)	786,841	
Current assets	286,629											279,424	
Noncurrent assets	462,120											507,417	

(4) In the statement of surplus or deficit, the amount of R\$18,737, in addition to R\$16,596 (Notes 15 and 16), includes: R\$598 relating to assets relating to GEF Agency (Note 13) and R\$883 (Note 17) relating to Rendering of services.

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8. Third-party funds related to projects (Continued)

Changes in balances of projects for 2017

	12/31/2016	Funds received	Short-term investment yields	Finance costs	Foreign exchange differences	Funds used accountability	Accountability In progress	Transfers (Funbio revenue) ⁽⁷⁾	Transfer to IDG ⁽¹⁾	Disbursements/ internal transfer	Accountability in progress/Other Transfers	12/31/2017	Note
ARPA 2nd Phase-GEF BM	1,360	10,895	119	(5)	-	(10,761)	-	(1,314)	-	-	(134)	160	8.1
ARPA 2nd Phase -KfW	4,534	11,748	176	(82)	789	(9,381)	(30)	(884)	-	-	(277)	6,593	8.1
ARPA FT - Operational	760	-	224	(105)	-	(23,210)	(8)	(2,060)	-	29,700	97	5,398	8.1
ARPA FT-IDB MSC	694	634	25	(4)	-	(779)	-	(362)	-	-	74	282	8.1
ARPA FT-IDB SCI	842	4,505	65	(20)	-	(1,338)	(5)	(2,060)	-	-	312	2,301	8.1
FMA Agreement - Instr. I-A Environ. Compensation [Brad. 3000-7] ⁽¹⁾	180,550	4,451	12,513	(2)	-	(18,767)	-	(1,853)	(51,661)	-	-	125,231	8.2
FMA Agreement - Instr. I-B CA Federal (Brad. 3001-5)	-	2,843	153	-	-	-	-	(5)	-	-	-	2,991	8.2
FMA Agreement - Instr. I-C Res. Land Reg. (Brad. 3002-3)	7,992	-	666	-	-	(22)	-	-	-	-	-	8,636	8.2
FMA Agreement - Instr. II - OP. Donations (Brad. 3003-1)	-	-	-	-	-	-	-	-	-	-	-	-	8.2
FMA Agreement - Instr. III - A - Finan. Trustee (Brad. 3005-8)	28,567	-	2,275	-	-	-	-	-	-	-	-	30,842	8.2
FMA Agreement - Instr. III-B - Finan. Trustee'. CV (BB 25.738-3) ⁽²⁾	1,628	-	113	(7)	-	(544)	-	-	-	-	(136)	1,054	8.2
FMA Agreement - Instr. IV - OP. Forest Rest. (Brad. 3008-2)	928	1,271	140	-	-	-	-	(15)	-	-	-	2,324	8.2
FMA Agreement - Instr. V - TAC [Brad. 3008-0] ⁽³⁾	16,794	-	1,245	-	-	(3,231)	-	(350)	-	(1,088)	-	13,370	8.2
FMA Agreement - Instr. VI - OP. Other Sources (Brad. 3010-4)	14,232	-	1,208	-	-	-	-	(20)	-	-	-	15,420	8.2
TFCA	2,411	-	129	-	-	(1,509)	-	(156)	-	-	33	908	8.3
Kayapó	173	-	23	-	-	(1,749)	-	(114)	-	1,913	3	249	8.4
Adoption of Parks	633	-	45	(2)	-	(72)	-	-	-	-	-	604	8.5
Probio - Opportunity Fund	7,639	-	520	-	-	(1,924)	-	(539)	-	-	-	5,696	8.6
Fauna Portfolio - Spix's Macaw	636	-	33	(1)	-	(533)	-	-	-	-	-	135	8.7
Fauna Portfolio - Sirênios	119	-	5	-	-	(98)	-	-	-	-	-	26	8.7
Fauna Fund Portfolio	550	7	53	(7)	-	-	-	(1)	-	-	-	602	8.7
New Sources Arpa ⁽⁴⁾	115	-	8	-	-	-	-	(28)	-	(95)	-	-	8.8
GEF Nutrition	1,043	740	79	(6)	-	(1,173)	(3)	(106)	-	-	-	574	8.9
Carbono Paiteer Suruí Fund	654	-	6	-	-	-	-	-	-	-	(660)	-	8.10
GEF Mar	747	9,191	93	(16)	-	(7,369)	(16)	(674)	-	-	(41)	1,915	8.11
Subtotal	273,601	46,285	19,916	(257)	789	(82,460)	(62)	(10,541)	(51,661)	30,430	(729)	225,312	

- (1) According to the 2nd Amendment to Agreement No. 004/2016, which included the transfer of funds under Funbio's operational management to other operational managers selected by the State Environmental Secretariat ("SEA"), and according to Official Letters SEA/SAP No. 225 and No. 229, both dated June 5, 2017, Funbio transferred, on June 07 and 13, 2017, the amount of R\$51,661 to Operational Manager *Instituto de Desenvolvimento e Gestão* (IDG).
- (2) In 2017, the amounts added totaled R\$732 thousand, of which R\$544 thousand were accounted for, R\$52 thousand were returned, remaining a balance of R\$136 thousand to be accounted for.
- (3) On January 3, 2017, there was an offset of accounts with Porpoise Conservation Project in Management Area I, incorrectly deposited to the account on December 19, 2016, in the amount of R\$1,088. This amount refers to the monetary restatement of the 2nd Tranche under the TAC Execution Agreement No. CW 1399279.
- (4) On September 28, 2017, funds were transferred from project Novas Fontes Amazônia (New Sources Amazon) to project CAF Amazon in the amount of R\$95.

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8. Third-party funds related to projects (Continued)

Changes in balances of projects for 2017 (Continued)

	12/31/2016	Funds received	Short-term investment yields	Finance costs	Foreign exchange differences	Funds used accountability	Accountability In progress	Transfers (Funbio revenue) ⁽⁷⁾	Transfer to IDG ⁽¹⁾	Disbursements/ internal transfer	Accountability in progress/Other transfers	12/31/2017	Note
Subtotal	273,601	46,285	19,916	(257)	789	(82,460)	(62)	(10,541)	(51,661)	30,430	(729)	225,312	-
Project K ⁽⁵⁾	2,023	2,716	20	(17)	95	(2,533)	-	(229)	-	(314)	(333)	1,428	8.12
Moore Sustainability ⁽⁶⁾	499	-	21	-	-	-	-	(251)	-	(269)	-	-	8.13
Chevron - Fishing and Marine Research	13,127	11,301	727	-	-	(7,368)	-	(1,503)	-	-	-	16,284	8.14
Chevron - Porpoise Conservation ⁽³⁾	5,874	5,027	441	-	-	(2,498)	-	(1,056)	-	1,088	-	8,876	8.14
Chevron - Environmental Education	3,200	5,013	316	-	-	(4)	-	(474)	-	-	-	8,051	8.14
Chevron - Environmental Education - Phase II	-	3,262	21	-	-	-	-	(307)	-	-	-	2,976	8.14
Chevron - Conservation of Protected Areas	7,162	3,652	618	-	-	(5)	-	(459)	-	-	-	10,968	8.14
Chevron - Conservation of Protected Areas - Phase II	-	6,505	97	-	-	-	-	(614)	-	-	-	5,988	8.14
Chevron - CRAS RJ	1,187	1,625	113	-	-	(16)	-	(212)	-	-	-	2,697	8.14
TAC Aerolave Caçapava	287	256	15	-	-	(461)	-	(63)	-	-	-	34	8.15
R20	6	158	-	-	-	(148)	-	(16)	-	-	-	-	8.16
Rock in Rio	177	2,025	34	-	-	(1,504)	-	(244)	-	-	-	488	8.17
Funbio-Bioquiné	83	-	3	-	-	(43)	-	(43)	-	-	-	-	8.18
Mata Atlântica III	961	1,040	58	-	16	-	-	(583)	-	-	-	1,492	8.19
Redlac Meeting	81	-	3	-	-	(4)	-	(80)	-	-	-	-	8.20
Mozambique	(5)	198	2	(2)	-	(47)	-	(140)	-	-	-	6	8.21
COP Cancun 13	44	75	-	-	-	(52)	-	-	-	-	(67)	-	8.22
CAF Amazon ^(4 and 5)	-	1,586	9	(6)	-	(1)	-	(474)	-	364	-	1,478	8.23
Innovation SVA - 2nd Phase ⁽⁵⁾	-	-	7	-	-	(14)	-	(304)	-	314	-	3	8.24
Cooperation Agreement between Funbio and MMA - Probio II	-	640	34	-	-	(49)	-	(77)	-	-	-	548	8.25
State Protected Areas of Amazonas	-	19	-	-	-	-	-	(19)	-	-	-	-	8.26
Subtotal	34,707	45,098	2,539	(25)	111	(14,747)	-	(7,148)	-	1,183	(400)	61,317	
Transition Fund	363,578	38,965	51,744	(3,639)	5,854	-	-	-	-	(29,700)	-	426,802	8.1
Kayapó Fund	18,643	-	2,168	(393)	-	-	-	-	-	(1,913)	-	18,505	8.4
Amapá Fund	8,351	-	1,198	(127)	154	-	-	-	-	-	-	9,576	8.31
Bahia and Espírito Santo Fund	6,836	-	388	(40)	53	-	-	-	-	-	-	7,237	8.32
	397,408	38,965	55,498	(4,199)	6,061	-	-	-	-	(31,613)	-	462,120	
	705,716	130,348	77,953	(4,481)	6,961	(97,207)	(62)	(17,689)	(51,661)	-	(1,129)	748,749	
Current	308,308	-	-	-	-	-	-	-	-	-	-	286,629	
Noncurrent	397,408	-	-	-	-	-	-	-	-	-	-	462,120	

(5) On March 13, 2017, funds from project K were transferred to project Innovation SVA 2nd Phase in the amount of R\$314. On December 22, 2017, the amount of €85 (euro) was allocated from Banco do Brasil Frankfurt 3593313888, equivalent to R\$333; however, this amount was credited to Banco do Brasil checking account 130240-X only on January 4, 2018.

(6) On September 28, 2017, funds were transferred from Moore Sustainability project to CAF Amazon project, according to an agreement in the amount of US\$81, at a rate of 3.296%, equivalent to R\$269.

(7) In the statement of surplus or deficit, total revenue is R\$17,718 and this note shows R\$17,689, a difference of R\$29, which corresponds to a receipt from Moore relating to the 15 years of ARPA.

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8. Third-party funds related to projects (Continued)

Following are referenced comments on each one of the projects presented in the table above:

8.1. Amazon Region Protected Areas (ARPA) Program

ARPA program is the largest tropical forest protection initiative in the world. The Transition Fund emerged from Arpa for Life initiative and began in 2014, marking the beginning of the Arpa Program Phase III. The Transition Fund is an extinguishable fund designed and developed as an alternative for the consolidation of Protected Areas supported by the Arpa Program, through investments of donations from international cooperation, private donations and government funds represented by consideration. Phase III aims at the gradual transfer, to the public authority, of the management of the Protected Areas supported by Arpa over a 25-year period, until the maintenance costs of supported Protected Areas are fully maintained by the public authority, thus allowing the achievement of the Program's main purpose, which consists of the consolidation and protection of 60 million hectares of forest, 15% of the Brazilian Amazon region. The goal of supporting to the Protected Areas was reached in 2017, when the Program already supported 60.8 million hectares, with 117 Protected Areas under its umbrella agreement. In addition, Phase III also aims to create 13.5 million hectares of protected areas in the Amazon region, a goal that is still being pursued.

FUNBIO is the program's financial manager, performing the procurement and contracting activities for the Protected Areas and performing the Fund's asset management that ensures the program's sustainability in the long term, the Transition Fund ("FT"). This fund incorporates resources from the Amazon Region Protected Areas Fund ("FAP"), organized in the program's first phase, and leverages new resources from the international cooperation and private donations, with the goal to reach US\$215 million.

2018 highlights include:

- The Transition Fund and FAP, which was merged into FT, reached the amount of R\$430 million, a net increase of 19% arising from new deposits received from donations made by GEF through World Bank and Anglo American, short-term investment yields and foreign exchange differences, the latter impacted by an appreciation of approximately 1.7% in the foreign currency (US\$) included in the investment portfolio;
- From the contract with the Ministry of Economic Cooperation and Development of Germany (BMZ), entered into with Kfw-Entwicklungsbank (German Development Bank) for Phase II in the amount of €20 million (euro), we allocated R\$7.4 million and invested R\$10.8 million;

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8. Third-party funds related to projects (Continued)

8.1. Amazon Region Protected Areas (ARPA) Program (Continued)

- ARPA FT - Operating account received R\$40.5 million from the Transition Fund in 2018 and invested R\$44.3 million.
- With respect to the Non-Reimbursable Technical Cooperation entered into with the InterAmerican Development Bank (IDB), R\$0.599 million (US\$154 mil) were allocated under ATN/MC 14220-Br (MSC) Agreement; R\$804 thousand (US\$217 thousand) were invested in the Program; and R\$73 thousand (US\$20 thousand) of consideration, while R\$1.573 million (US\$419 thousand) were allocated under ATN/OC 14219-Br (SCI) Agreement; R\$3,632 million (US\$1.044 million) were invested in the Program; and R\$283 thousand (US\$76 thousand) of consideration in 2018. The amount of US\$1,278,066.33 of consideration was invested by the end of 2018.

8.2. Rio de Janeiro Atlantic Forest Fund ("FMA") - Cooperation Agreement N0. 04/2016

In 2016, under the Cooperation Agreement No. 04/2016, which received all the remaining funds from the SEA Agreement No. 003/2009 terminated on November 14, 2016, the Entity highlight the following instruments that were created pursuant to Law No. 6572 of October 31, 2013, as amended by State Law No. 7061 of September 25, 2015, in accordance with the conditions and procedures laid down in the Public Call Notice No. 01/16, in the FMA Management Manual (to be agreed by the parties), as well as SEA Resolution No. 491/15, as amended by Resolution No. 503/16.

FMA Agreement consists of 6 (six) project operating instruments, namely:

- I – SNUC Environmental Compensation Operational Instrument: mechanism intended to operate projects arising from environmental compensation resources, established on the basis of article 36 of Federal Law No. 9985/00, in which the entrepreneur, after INEA's consent, chooses to deposit the funds in a specific FMA Financial Manager account for the implementation of projects approved by the Environmental Compensation Chamber of the state of Rio de Janeiro ("CCA/RJ"), subdivided into three ways:

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8. Third-party funds related to projects (Continued)

8.2. Rio de Janeiro Atlantic Forest Fund ("FMA") - Cooperation Agreement NO. 04/2016 (Continued)

- (a) Project portfolio approved by CCA/RJ: intended for the implementation of projects presented by municipal, state and federal environmental agencies, as well as those intended for the management of Private Natural Heritage Reserves ("RPPN"), and approved by CCA/RJ, whose purpose is the support for the implementation and maintenance of one, or more, full protection Protected Areas. This portfolio received the initial balance of R\$179.9 million from Agreement No. 003/2009 terminated on November 14, 2016. During the effective term of Cooperation Agreement, in 2018, the amount of R\$20.9 million (R\$20.6 million in 2017) was invested, R\$0.2 million (R\$4.4 million in 2017) was received, and the finance income from this portfolio amounted to R\$4.9 million (R\$12.5 million in 2017). In 2018, according to the 2nd amendment to Agreement No. 004/2016, through which the transfer of resources under FUNBIO's operational management was carried out to other operational managers selected by the State Environment Secretariat ("SEA"), FUNBIO transferred the amount of R\$35.2 million (R\$51 million in 2017) to the Operational Manager Instituto de Desenvolvimento e Gestão (IDG). Therefore, the balance of this portfolio at the end of 2018 amounts to R\$132.2 million (R\$125.2 million in 2017).
- (b) Project portfolio arising from federal environmental compensation: agreement intended for the implementation of projects at Protected Areas, presented by the Brazilian Institute of Environment and Renewable Natural Resources ("IBAMA"), whose purpose is the support for the implementation and maintenance of one or more state Protected Areas. In 2018, this portfolio received no funds (R\$2.8 million in 2017), generated a finance income of approximately R\$0.1 million (R\$0.1 million in 2017) and closed the year with approximately R\$3.1 million (R\$2.9 million in 2017).
- (c) Land Regularization Reserve: aimed specifically to land regularization of protected areas established by the Rio de Janeiro State Government, made as public domain and the expropriated owner being compensated through legal or administrative agreement. In 2018 and 2017, this portfolio received no funds (R\$7.8 million were transferred from the environmental compensation portfolio under Agreement No. 003/2009 in 2016). During the effective term of the Cooperation Agreement, approximately R\$0.4 million (R\$0.6 million in 2017) in finance income were generated, approximately R\$0.4 million (R\$22 thousand in 2017) were invested and the year closed with approximately R\$8.6 million (R\$8.6 million in 2017).

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8. Third-party funds related to projects (Continued)

8.2. Rio de Janeiro Atlantic Forest Fund ("FMA") - Cooperation Agreement NO. 04/2016 (Continued)

- II – Operational Instrument for Donation: mechanism intended to operate projects from national and international donation resources aimed at biodiversity protection and conservation, approved by SEA/RJ, which is executed through projects and accompanied by FMA's computerized system. This instrument received no funds by the end of 2018.
- III - Trust Financial Instrument: financial mechanism intended to raise funds, the principal of which, whenever possible, should be preserved to ensure the management of protected areas created by the State Government, especially its current expenses, aiming at its financial sustainability on a permanent basis. This instrument is divided as follows: III-A Trust Fund Financial Instrument, which received R\$27.8 million from the transfer of the balance of the Trust Fund Instrument of the Agreement No. 003/2009 and during the effective term of the Cooperation Agreement generated finance income amounting to R\$1.5 million (R\$2.2 million in 2017), and 2018 was closed with a balance of R\$32.3 million (R\$30.8 million in 2017); and III-B Trust Fund instrument of the restricted account consisting of a bank account No. 25.738-9 at Banco do Brasil that is used to feed 33 prepaid cards linked to the Protected Areas and Centers. At the end of Agreement No. 003/2009 and beginning of the Cooperation Agreement No. 04/2016, this account had a balance of R\$1.7 million and, during the period of the Cooperation Agreement, through the end of 2018, the amount of R\$0.8 million (R\$0.5 million in 2017) was used to feed the cards, and the account balance closed the year with R\$0.3 million (R\$1 million in 2017).
- IV – Forest Restoration Operational Instrument: mechanism intended to operate projects arising from the forest replacement obligation, provided for in Federal Law No. 11428/2007, due for cutting or removal of primary or secondary vegetation in the middle or advanced stages of regeneration of the Atlantic Forest Biome, authorized by INEA, as well as other obligations consisting of forest restoration. In the effective term of the Cooperation Agreement, this instrument received funds in the amount of R\$39 thousand (R\$1.2 million in 2017), which generated a finance income of approximately R\$0.1 million (R\$0.1 million in 2017) and resulted in a balance of R\$2.4 million at the end of 2018 (R\$2.3 million in 2017).

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8. Third-party funds related to projects (Continued)

8.2. Rio de Janeiro Atlantic Forest Fund (“FMA”) - Cooperation Agreement NO. 04/2016 (Continued)

V – Conduct Adjustment Agreement (“TAC”): mechanism intended to operate environmental projects from TACs entered into with individuals or legal entities to adjust their conduct with the environmental agency in relation to environmental damages caused by them. This instrument received R\$10.3 million from the Other Sources Instrument of Agreement No. 003/2009, received no funds in 2018 and 2017 already during the effective term of Cooperation Agreement No. 04/2016, which, plus finance income of R\$0.5 million (R\$1.2 million in 2017), the amount of R\$8.3 million (R\$3.6 million in 2017) was invested and generated a balance of R\$5.6 million at the end of 2018 (R\$13.3 million in 2017).

VI – Operational Instrument of Other Sources: mechanism to operate state environmental protection programs the origin of which is not in the hypotheses of items I, II, III, IV and V. This instrument received R\$13.8 million from the Other Sources Instrument of Agreement No. 003/2009, received no funds in 2018 and 2017, generated finance income of R\$0.5 million (R\$1.2 million in 2017), and the amount of R\$55 thousand was invested in 2018. Also in 2018, according to the 2nd Amendment to Agreement No. 004/2016, through which the transfer of resources under FUNBIO’s operational management was carried out to other operational managers selected by the State Environment Secretariat (“SEA”), FUNBIO transferred the amount of R\$10 million to the Operational Manager *Instituto de Desenvolvimento e Gestão* (IDG), closing the fiscal year with a balance of R\$5.9 million (R\$15.4 million in 2017).

In the table shown in this Note, it is possible to identify the total funds used under each of the contractual instruments (Agreement No. 003/2009 and Cooperation Agreement No. 04/2016), as well as confirm the transfer of funds from the Banco do Brasil accounts to the mechanism’s Financial Manager accounts, Bradesco.

8.3. Tropical Forest Conservation Act (TFCA)

The Tropical Forest Conservation Act (TFCA) results from a bilateral agreement between Brazil and the United States, aimed at exchanging debts incurred by countries with the U.S. Government for investments in the conservation and sustainable use of forests. Worldwide, over ten countries have executed the agreement with the USA. FUNBIO is the executive secretariat of the TFCA Account, which receives the funds and allocates these to the projects at areas with remaining Atlantic Forest, *Cerrado* (savanna) and *Caatinga* (scrubland) biomes, which, together, cover approximately 50% of the country. The debt exchange totaled U\$20.8 million.

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8. Third-party funds related to projects (Continued)

8.3. Tropical Forest Conservation Act (TFCA) - Continued

Since 2011, the TFCA has launched five calls for projects, which resulted in the support to 89 projects, which are included in the following thematic lines: Protected Areas; Landscape Management; Training; Species Management; Community Projects; Network Strengthening; Training for Mobilization of Financial Resources, and support for projects in the São Francisco basin and Caatinga biome.

In 2018 and 2017 the operational TFCA Account received no additional portions.

In 2018, the following actions related to technical management were carried out:

- 16th and 17th ordinary meetings of the TFCA Account Committee, one of them in field, in *Parque Nacional da Chapada dos Veadeiros PNCV* - (National Park of *Chapada dos Veadeiros*);
- Support for project “*Manejo Integrado do Fogo*” (Integrated Fire Management) in PNCV, state of Goiás;
- CAR Project second phase - mobilization for the creation of the Veadeiros Mosaic.
- The following projects were completed:
 - 1) *Sementes Crioulas Sementes da Vida* (Creole Seeds, Seeds for Life) Project implemented by *Ação Social Diocesana de Santa Cruz do Sul - ASDISC* (completed in May 2018);
 - 2) Project “*Fortalecimento das Mulheres Quebradeiras de Coco Babaçu*” (Strengthening of Babassu Coconut Breakers Women) and of production practices for access to institutional markets implemented by *AMIQCB - Associação do Movimento Interestadual das Quebradeiras de Coco Babaçu* (completed in September 2018);
 - 3) *Fortalecendo o Agroextrativismo Sustentável Orgânico* (Strengthening Sustainable Organic Agroextractivism) Project in in the city of Pedras de Maria Cruz, state of Minas Gerais, Caatinga - implemented by *CEDAC* (Educational Center for the Development of Art and Culture) (completed in March 2018);
 - 4) *Sertão Mulher* (Backland Women) - PAJEÚ (completed in December 2018);
 - 5) *Produtos Sustentáveis da Sociobiodiversidade do Bioma Caatinga* (Sustainable Products from the Socio-biodiversity of Caatinga Biome) Project - implemented by *AGENDHA - Assessoria e Gestão em Estudos da Natureza, Desenvolvimento Humano e Agroecologia* (completed in December 2018).

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8. Third-party funds related to projects (Continued)

8.3. Tropical Forest Conservation Act (TFCA) - Continued

1) Creole Seeds, Seeds for Life Project implemented by ASDISC (completed in May 2018)

Monitoring visit performed in February 2018;

This project involved 64 rural young people in practical workshops and training stages in agroecology. Individual projects implemented, involving: colonial poultry, construction of biodigestors, planting of vegetable gardens and orchards, colonial pig farming, beekeeping, production of molasses, goat farming and handicraft;

Additional support - approved in March 2018. This fund was used to arrange a meeting for final evaluation of the project with creole seed guardians and for the purchase of fair stands and inputs for the continuity of projects for young people.

2) Strengthening of Babassu Coconut Breakers Women and of production practices for access to institutional markets implemented by AMIQCB (completed in September 2018)

Monitoring visit performed in March 2018;

This project enabled the purchase of equipment and goods for the production groups of 6 regional offices served, meetings held, technical follow-up of activities, training for executive coordination and assistance in preparing projects;

Additional support of R\$40,000 approved in April 2018. This fund was used for training in the production of the mesocarp by-products.

3) Strengthening Sustainable Organic Agroextractivism Project in the city of Pedras de Maria Cruz, state of Minas Gerais, Caatinga - implemented by CEDAC (completed in March 2018)

45 families were supported by the organic certification initiative and 24 of them received the certificate. This project enabled the forest inventory of the area covered by the TAUS (Authorization Term for the Sustainable Use of Caraíbas), the preparation of the organic plan of the area of the 1st TAUS of the state of Minas Gerais as a reference for other groups and non-timber forest management of caatinga products, development of a project related to the National Food Acquisition Program ("PAA") focused on school feeding with *umbú* and *jatobá* as well as the implementation of the Minimum Price Guarantee Policy for Socio-biodiversity ("PGPMbio") for caatinga products together with the farmers (states of MG, TO, MT, GO and BA).

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8. Third-party funds related to projects (Continued)

8.3. Tropical Forest Conservation Act (TFCA) - Continued

4) Backland Women - PAJEÚ (completed in December 2018)

Training sessions were carried out for improving the production systems and internal control of purchases, inventory and finances. This project enabled the hiring of a chemist for analysis and registration of the products' bar code, acquisition of inputs and implementation of nurseries. The activities involved the planting of 400 umbuzeiro (*spondias tuberosa*) seedlings, workshops with the women participating in the project on the general organization of the group, rights and themes related to gender equality and violence against women, in addition to the technical assistance to the Network, which is of continuous execution (state of Pernambuco).

5) Sustainable Products from the Socio-biodiversity of Caatinga Biome Project - implemented by AGENDHA (completed in December 2018)

Thematic workshops were held on the utilization of species of socio-biodiversity in food, handicraft making, cosmetics production and institutional management, production and agroindustry in the organizations participating in the project and the preparation of 8 anticipated business plans. Exhibition and sale of the items produced and maintenance of the shopping portal and digital catalog of products of the socio-biodiversity of caatinga (state of Bahia).

8.4. Kayapó Fund

Endowment established and designed by FUNBIO to support Kayapó organizations in the long term and increase the capacity of Kayapó Native Lands to maintain their physical integrity. This Fund received donations totaling R\$14.4 million from the Amazon Fund, through the National Bank for Economic and Social Development ("BNDES"), and from *Conservação Internacional* - CI-Brazil (National Conservation). FUNBIO is the manager of the resources, which should be allocated to projects formulated by Native Brazilian organizations in connection with this ethnic group.

In 2018, Kayapó Fund continued the third cycle started in 2017, with disbursements amounting to R\$854 thousand for the operational account, of which R\$620 thousand for transfer to projects and R\$234 thousands referring to the Subloan A portion, deposited by BNDES in an operational account. Also in 2018, investments totaled R\$889 thousand (R\$1.749 million in 2017), of which R\$620 thousand were transferred to projects, R\$164 thousand refer to other project expenses and R\$105 thousand were transferred to Funbio (R\$114 thousand in 2017). The three projects under implementation in the third cycle are:

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8. Third-party funds related to projects (Continued)

8.4. Kayapó Fund (Continued)

- **Strengthening of the Organizational Management and Production Activities of Kayapó Menkragnoti People in BR-163 Corridor (Xingu Basin)** - the main purpose of this project is to strengthen the administrative capacity of Instituto Kabu, the Project developer, to support income-generating initiatives to improve the quality of life in 10 villages in Baú and Menkragnoti areas, both in the state of Pará. These are low environmental impact projects 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 effective participation 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 state of Pará, and Capoto/Jarina, in Mato Grosso state. The main activities includes, but is not limited to, the promotion of increased 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, implemented by the Protected Forest Association** - the main purpose of this 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 was implemented in 17 villages of three indigenous land: Kayapó, Menkragnoti and Las Casas, in stated of 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.

8.5. Adoption of Parks

This type of support, created in 2011, seeks voluntary private investment to structure and foster the maintenance of Federal, State or Municipal Protected Areas, aimed at biodiversity conservation. FUNBIO manages the donations and provides specialty procurement and hiring, financial control and reporting services. In consideration for the contribution of resources, the companies' sponsorship is recognized and they gain visibility in communication actions.

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8. Third-party funds related to projects (Continued)

8.5. Adoption of Parks (Continued)

The current agreements are as follows:

<u>Park</u>	<u>Area (thousand) Hectares</u>	<u>Contractual Funds</u>
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* (Marine National Park of *Fernando de Noronha*), by means of the Adoption of Parks Program, facilitated the acquisition of equipment, furniture and household appliances for structuring the researchers hosting facilities, whose renovation was financed in 2016. In addition, the Program supported the pilot research project relating to sardine handling in partnership with universities, and various materials related to fishing and underwater photography cameras were financed.

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 Protected Areas; the project draft is underway.

At the end of 2018, the balance of the Adoption of Parks Program amounts to R\$ 0.5 million (R\$0.6 million in 2017), and the amount of R\$110 thousand (R\$72 thousand in 2017) was invested in its activities.

There were no contribution of funds in the Adoption of Parks Project over 2018 and 2017.

In 2018 support for Marine National Park of *Fernando de Noronha* was completed, with the purchase and delivery of equipment, maintenance of improvements and recurrent costs used in the management of the Protected Area.

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8. Third-party funds related to projects (Continued)

8.6. Opportunity Fund of Probio II Project - National Project of Integrated Public Private Actions for Biodiversity

This initiative aims to mobilize production sectors to adopt principles and practices of conservation and sustainable use of biodiversity in their businesses. Funbio promotes private sector engagement actions, aiming to boost the transformation of the production, consumption and occupation models of the national territory. The project is funded by the Global Environment Facility (GEF), through the World Bank, which allocated a total of US\$22 million to the initiative's partners.

The Donation Agreement between Funbio and the International Bank for Reconstruction and Development (IBRD) for Probio II was terminated in 2014, with partnerships entered into with the private sector to implement 7 subprojects in 6 production territories to incorporate adequate practices and favorable strategies to the biodiversity. These territories are distributed in 3 biomes - Amazônia, Mata Atlântica and Pampa.

The strategy was to focus on territories with multiple industries, such as agriculture, livestock, aquaculture, forestry, extraction and forest management located in priority biodiversity conservation areas. To ensure the sustainability of the actions in the medium and long term, different agendas were prepared, including strengthening the production chains, fostering native species forestry, organic food production, new financial arrangements embedding the environmental component, biodiversity and health.

To support and continue to support the Subprojects, Probio II established the Opportunity Fund, a financial mechanism that enables adding biodiversity conservation to private sector initiatives.

Through the Opportunity Fund, the Subprojects receive funds to perform work in production chains in all 6 territories, as well as monitoring actions to assess the results achieved.

At the completion of Probio II, the Opportunity Fund received the amount of R\$13,275,549.44 to be allocated to seven (7) Subprojects, which have committed themselves to a consideration in the amount of R\$47 million.

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8. Third-party funds related to projects (Continued)

8.6. Opportunity Fund of Probio II Project - National Project of Integrated Public Private Actions for Biodiversity (Continued)

In 2018, the following actions were carried out under the Opportunity Fund:

- The territorial subproject to be executed in Pampa biome and to be implemented by SAVE Brasil was started, named: Conservation of biodiversity combined with agricultural production in Pampa biome
- Two (2) territorial subprojects were completed:
 - Incorporating environmental sustainability into the Pulp production chain in the state of Espírito Santo: renewable forest combined with biodiversity conservation.
 - “Forest Economics - A demonstration initiative at the Resex Tapajós-Arapiuns”, in partnership with the Center for Advanced Studies in Social and Environmental Promotion/ *Saúde e Alegria* (Health and Happiness) Project.

Throughout 2018, the Opportunity Fund disbursed R\$1.95 million in the initiatives above. The fund has a balance to be disbursed of R\$3.72 million at the end of the fiscal year.

8.7. Fauna Brasil 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 of Environment and Renewable 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* (Spix's Macaw in nature) project, the Fauna Portfolio supported the process to create a Protected Area in the region where the species is found, in the state of Bahia, which included from social and environmental studies to public consultation. In 2018, the amount of R\$139 million (R\$533 thousand in 2017) was invested, and the project financial balance at the end of the year was zeroed (R\$135 thousand in 2017).

For *Sirênios* project, the last pieces of equipment acquired under this project were delivered in 2018, and referred to Donation Agreements were prepared.

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8. Third-party funds related to projects (Continued)

8.7. Fauna Brasil Portfolio (Continued)

Fauna Fund has a balance of R\$656 thousand at the end of 2018 (R\$602 thousand in 2017); during this period, the amount of R\$23 thousand was received and a finance income of approximately R\$32 thousand was generated.

By 2018 Fauna Portfolio monitored the implementation 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.

8.8. 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 funding 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 Protected Areas, 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, investments and activities performed in 2017 were the following:

Economic and institutional studies on funding 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 the state of Amazonas.

The term for the engaged consulting to complete the work was extended.

The main challenges for 2018 were:

Preparation of a report identifying and presenting the methodologies (amounts invested) of Manaus Free Trade Zone taxation system.

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8. Third-party funds related to projects (Continued)

8.8. Commitment for the Amazon Region - ARPA for Life - New Sources (Continued)

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 invested in 2017 (R\$21 thousand in 2016), considering the reimbursement tranches of Funbio team.

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

8.9. 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 and was completed in 2018. FUNBIO is responsible for managing the project funds in Brazil.

In 2018, the following activities and results were achieved by the Project:

- A laboratory analysis of the composition of food was completed;
- SiBBR database was created with all nutrition analysis data;
- The web-based course was launched in English and in Portuguese;
- The development of recipes for the recipes book was completed;

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8. Third-party funds related to projects (Continued)

8.9. GEF Nutrition - Conservation and Sustainable Use of the Biodiversity for Improved Human Nutrition and Well-Being (Continued)

- The book *Plantas para o Futuro* (Plants for the Future) - Central-West Region - was printed;
- The Project activities were completed and the final accountability of the Project was sent to Bioversity.

Throughout 2018, the project allocated R\$0.6 million and invested R\$0.9 million.

8.10. Paiter Surui 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* (*Metareilá* Indigenous Association), with Funbio's support, whose partners were the Amazon Conservation team ("Ecam"), *Associação de Defesa Etnoambiental Kanindé*, (*Kanindé Ethno-Environmental Defense Association*) *Instituto de Conservação e Desenvolvimento Sustentável do Amazonas - IDESAM* (Institute of Conservation and Sustainable Development of Amazon Region) and Forest Trends.

The funds from the sale of carbon credits and from other sources will be integral parts of 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, they 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* Indigenous Association. A step already included in the fund conception: by completion of the technical cooperation phase, which would be performed by a non-indigenous institution, the funds and financial management should be transferred to a Surui indigenous association. In 2017, the transfer was made under an agreement entered into between Funbio and *Metareilá*, in the amount of R\$0.6 million, thus completing the project.

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8. Third-party funds related to projects (Continued)

8.11. Protected Marine Areas Project – GEF MAR

This Project is intended to support the creation and implementation of a representative, effective system for marine and coastal protected areas (AMCPs) to reduce biodiversity losses. It is a comprehensive action plan, where multiple agendas may be integrated in support of marine and coastal conservation. This is an initiative by FUNBIO in conjunction with the Brazilian Ministry of Environment (MMA), ICMBio, Ministry of Mines and Energy (MME/Petrobras), funded by the Global Environment Facility (GEF) through the World Bank and funds of the non-refundable commitment agreement between IBAMA and Petrobrás, the latter from 2018. The main goal is creating and consolidating 120 thousand square kilometers of marine protected areas. Accordingly, the percentage of protected areas in Brazil will jump from 1.5% to 5%.

GEF Mar was initially valued at approximately US\$ 116 million, relying on US\$18.2 million in kind from GEF, expected donations, and consideration from MMA and ICMBio.

This project is an example of the government commitment to the marine biodiversity conservation, being considered by the World Bank as a model for the Global Partnership for Oceans (GPO), a growing alliance of more than 100 governments, international organizations, the private sector and civil society groups, including FUNBIO, committed to the conservation of the oceans.

In 2018, the funds subject to the non-reimbursable financial contribution agreement, arising from Petrobrás compensatory measure, were allocated by virtue of an agreement entered into by and between Petrobrás and IBAMA. The total of R\$60 million will be disbursed. By December 2018, the amount disbursed totalled R\$27.5 million.

In addition to those amounts, GEF contributed with R\$12.8 million to the project and invested R\$10.9 million in various activities, such as:

- Project's GT Component 2 maintenance (Financial Sustainability) and performance of activities provided for in its **OP**;
- Workshop for planning of the activities and training in operational procedures for 2019 ad 2020, involving the managers of all the Project executing units (ICMBio and representatives of 6 States) and MMA;
- Project Compromise Missions (*Parque Nacional da Baleia Franca e Brasília*);
- Support to community participation projects;

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8. Third-party funds related to projects (Continued)

8.11. Protected Marine Areas Project - GEF MAR (Continued)

- Launch of public notice to support disbursement projects;
- Regular meetings of Project Coordination, with MMA, ICMBio and World Bank;
- Delivery of lots of assets purchased by FUNBIO for the Project, engagement of advisory firms and services to meet execution agencies' requirements;
- Costing of research scholarship program;
- Investment of funds through local procurement and contracting activities, fuel card, food and meal cards and umbrella agreements for recurring demands.

8.12. Project K - "KNOWLEDGE FOR ACTION"

This project aims at strengthening the funds regarding their operation and the use of innovative financial mechanisms to reduce such reliance and diversify the funding sources. In addition to training workshops with different themes and mentoring for pairs of environmental funds, the project will co-fund the implementation of innovative financial tools through a call for proposals directed to the Latin American and Caribbean Network of Environmental Funds ("RedLAC") and the Consortium of African Funds for the Environment (CAFÉ). The initiative relies on resources amounting to €1.6 million + US\$0.9 million guaranteed by FFEM, Mava Foundation and GEF.

Main results achieved in 2018:

- Funding of 6 pilots of innovative financial mechanisms in Brazil, Peru, Costa Rica, Malawi, Cameroon and Mozambique; All environmental funds have already submitted their case studies and are accounting for their expenses to close the activities;
- Support and completion of the mentoring activity that involved 18 Environmental Funds, being 6 peers, 1 group of Funds (RedLAC and CAFÉ). All environmental funds have already submitted their case studies and accounted for the funds used;
- Completion of the translation and layout of the handouts of the Project K workshops and beginning of the translation and layout of the case studies produced;
- Funding to the preparation and review of the strategic plans of CAFÉ and RedLAC;

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8. Third-party funds related to projects (Continued)

8.12. Project K - "KNOWLEDGE FOR ACTION" (Continued)

- Preparation of the financial sustainability strategy for the networks with the working group and the advisory firm engaged;
- Beginning of the preparation of the assessment and monitoring plan with the working group and the advisory firm engaged. The group is focused on the monitoring of the impact of environmental funds on biodiversity conservation - institutional level;
- Beginning of the updating of the study of networks and application of the indicator system at the levels of funds, networks and impacts;
- Active participation in the Meetings of RedLAC and CAFÉ networks, with the respective activities:
 - Meetings of the Financial Sustainability Group of networks;
 - Meetings of the Assessment and Monitoring Group;
 - Presentations of the financial mechanism pilots;
 - Presentations of status and results of Project K;
 - Participation in CFA workshop and innovation panel;

Challenges for 2019:

- Continuity of the translation and layout of the case studies of supported financial mechanisms pilots;
- Continuity of the translation and layout of the case studies of supported mentoring experiences;
- Completion of final products of the three advisory firms in progress - Networks, Financial Sustainability, and Assessment and Monitoring Study;
- Preparation of the memorandum of understanding between RedLAC and CFA;
- Transfer of the website developed in RedLAC Capacity Building and improved in Project K into the RedLAC website as a knowledge platform that will serve as a library for other materials developed by the network;
- Design and development of the RedLAC intranet;
- Support for guidance on the use of the remaining balances of beneficiaries;
- Preparation of final reports and support in project assessment;
- Completion of project.

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Notes to financial statements (Continued)
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8. Third-party funds related to projects (Continued)

8.12. Project K - “KNOWLEDGE FOR ACTION” (Continued)

In 2018, the project invested funds amounting to R\$2.3 million (R\$2.5 million in 2017) and, at the end of 2018, had a financial balance of R\$0.4 million (R\$1.4 million in 2017) under “Project funds”.

8.13. Moore Sustainability Project

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

The main achievements, investments and activities performed in 2018 were the following:

- One sustainable dialogue event on environmental compensation in partnership with Abrampa, the *Pró-UC* Coalition and IBAMA in the Brazilian Congress of Protected Areas;
- Participation in the stand “Espaço Amazônia: forests and communities” of the Brazilian Congress of Protected Areas;
- Detail of the design of strategies for tax credit and approval by the Funbio Board;
- Strengthening of the partnership with Abrampa to discuss legal obligations as a conservation funding instrument, with participation in two events organized by the Association;
- Prioritization of funding sources to compose the funding strategy of Amapá Fund;
- Preparation of the preliminary study of the financial potential and funding strategy for the sources prioritized for Amapá Fund;
- Promotion of dialogue with different States on mechanisms for environmental compensation;
- Resumption of dialogue with new representatives of the state of Rondônia;

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Notes to financial statements (Continued)
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8. Third-party funds related to projects (Continued)

8.13. Moore Sustainability Project (Continued)

The main challenges for 2019 are:

- Expand the debate on “Innovation and strategies of financing for conservation” in the Sustainability WG of the *Pró-UC* Coalition;
- Development of the funding strategy for Amapá Fund, depending on the political context and will;
- Development of an environmental compensation model for the state of Rondônia, or in partnership with the local private sector.

8.14. Conduct Adjustment Agreement (“TAC”) Implementation Term - Chevron do Brasil

The execution of a Conduct Adjustment Agreement (“TAC”) by Chevron Brasil and the Federal Prosecutor's Office, with the participation of the Brazil's National Petroleum Agency (“ANP”) and the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) gave rise to 8 projects, amounting to R\$95 million, oriented to the conservation of the marine-coastal environment in the states of Rio de Janeiro, Espírito Santo and São Paulo. Namely:

- a) Porpoise Conservation in Management Area I (Franciscana Management Area I – FMA I)

The first project is intended to support the porpoise conservation by generating knowledge on the biology, ecology and population viability of the species in the Management Area I (FMA I) and the dissemination of knowledge acquired, through feasibility studies that technically and scientifically support the actions proposed to the porpoise PAN. The focus is on three goals of the Porpoise Management Plan: support to actions contributing to the generation of input to assess the population viability in Management Area I (FMA I) (Goal 1); proposal and implementation of fishing management measures for driftnet fishing, suitable for the porpoise conservation (Goal 2); and increasing the biological and ecological knowledge of porpoise (Goal 6).

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8. Third-party funds related to projects (Continued)

8.14. Conduct Adjustment Agreement (“TAC”) Implementation Term - Chevron do Brasil (Continued)

a) Porpoise Conservation in Management Area I (Franciscana Management Area I - FMA I) - Continued

In 2018, the project organized meetings of the Technical Board, comprised of specialists, including government representatives, and launched a Call for Projects, which resulted in the selection of one research subproject, covering the Management Area II (FMA II). The 1st Project Seminar was organized in the city of Florianópolis, with the participation of 37 people, among representatives of supported projects and partner institutions. In addition, the monitoring activity was continued in order to check on site the progress of each supported subproject. By the end of the year, 5 subprojects were visited. Also in 2018, activities were initiated relating to the project communication campaign, with the engagement of an advisory firm to prepare the Project Communication Plan, which was completed in December.

In 2018, the project received funds totaling R\$5 million (R\$6.1 million in 2017), and the amount of R\$2.6 million (R\$3.5 million in 2017) was invested.

b) Project to Support Marine and Fishing Research in Rio de Janeiro

The second project is intended to support the generation and dissemination of scientific knowledge on the biology, ecology and population dynamics of targeted fishing species; status of fishing stocks; fisheries unloading; and nutritional aspects of target species, in order to subsidize the sustainable use of fisheries resources in the state of Rio de Janeiro, as well as contributing to the recovery and sustainable use of true sardines through the feasibility of actions proposed in this species' Management Plan, focusing on the state of Rio de Janeiro.

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Notes to financial statements (Continued)
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8. Third-party funds related to projects (Continued)

8.14. Conduct Adjustment Agreement (“TAC”) Implementation Term - Chevron do Brasil (Continued)

b) Project to Support Marine and Fishing Research in Rio de Janeiro (Continued)

In 2018, the project organized meetings of the Technical Board, comprised of specialists, including government representatives, and continued the support to the 15 research subprojects through transfer of funds. However, due to the various problems faced in relation to technical and financial execution, the support to one of these subprojects was cancelled. Taking advantage of resources from yielding, two proposals were selected from the waiting list for the call launched in 2017, reaching the total of 16 supported projects. The monitoring activity was continued in order to check on site the progress of each supported subproject. By the end of the year, 15 subprojects were visited. Also in 2018, activities were initiated relating to the project communication campaign, with the engagement of an advisory firm to prepare the Project Communication Plan.

In 2018, the project received funds totaling R\$11.2 million (R\$11.3 million in 2017), and the amount of R\$6.7 million (R\$8.9 million in 2017) was invested.

c) Implementation of a Wild Animal Rehabilitation Center (“CRAS”) in the state of Rio de Janeiro

The Implementation of a Wild Animal Rehabilitation Center (“CRAS”) project in the state of Rio de Janeiro aims to contribute to the protection of the marine and coastal wildlife in the state of Rio de Janeiro through: (i) routine receiving, handling and destination (including release) of wild animals rescued; (ii) availability of facilities planned for the care of wildlife impacted by environmental emergencies; (iii) advances in the knowledge of the effects of oil and captivity on the coastal and marine fauna; and (iv) improvement of professionals in the areas of Medicine and Wildlife Conservation, through the evaluation and modification of response protocols, development of new therapies and post-release survival monitoring.

In 2018, meetings were held to define the directions to be given to the project, which were attended by members of the Technical Board and IBAMA. The ideas suggested will be worked through 2019.

In 2018, the project received no funds (R\$1.6 million in 2017), and the amount of R\$38 thousand (R\$0.2 million in 2017) was invested.

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8. Third-party funds related to projects (Continued)

8.14. Conduct Adjustment Agreement (“TAC”) Implementation Term - Chevron do Brasil (Continued)

d) Biodiversity Conservation and Sustainable Use in the Federal Coastal and Estuarine Protected Areas of the state of Rio de Janeiro

The Biodiversity Conservation and Sustainable Use in Federal Coastal Protected Areas project aims to promote the biodiversity conservation in the coastal and marine zone of the state of Rio de Janeiro, as well as the sustainable use of fisheries resources and the strengthening of artisanal fishing, by strengthening and supporting the biodiversity conservation and sustainable use in Protected Areas in Federal coastal and estuarine of the state of Rio de Janeiro. There will be activities aimed at the consolidation and/or deployment of five coastal and estuarine Protected Areas in the state of Rio de Janeiro:

- (i) Extractive Reserve (RESEX) Marinha de Arraial do Cabo, located in the city of Arraial do Cabo, Region of Lagos;
- (ii) Environmental Protection Area (“APA”) Guapi-Mirim, located in part of the cities of Magé, Guapimirim, Itaboraí and São Gonçalo;
- (iii) Ecological Station (ESEC) of Guanabara, located in the cities of Itaboraí and Guapimirim;
- (iv) National Park (“PARNA”) of Restinga de Jurubatiba, located in the cities of Macaé, Carapebus and Quissamã; and
- (v) Tamoios Ecological Station (ESEC), between the cities of Angra dos Reis and Paraty.

In 2017, procedures were initiated to enter into a Technical Cooperation Agreement between Funbio and ICMBio, without which providing support to the referred to Protected Areas will not be possible.

In 2018, the project received funds totaling R\$3 million (R\$3.6 million in 2017), and the amount of R\$0.6 million (R\$0.5 million in 2017) was invested.

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8. Third-party funds related to projects (Continued)

8.14. Conduct Adjustment Agreement (“TAC”) Implementation Term - Chevron do Brasil (Continued)

e) Implementation of Environmental Education Projects and Income Generation for Fishing Communities

The Implementation of Environmental Education Projects and Income Generation for Fishing Communities projects aim to promote the biodiversity conservation in the coastal and marine zone of the state of Rio de Janeiro, the sustainable use of fisheries resources in that State and the strengthening of artisanal fishing as a long-term strategy to contribute to the environmental, social and economic sustainability of the activity, by implementing of environmental education projects and income generation.

In 2018, the Technical Cooperation Agreement was entered into between Funbio and ICMBio, starting the effective support to the referred to Protected Areas. To start the execution, a training workshop was held for the managers of the supported Protected Areas. By the end of the year, a part of the assets requested was delivered, as well as a part of the advisory and other services provided for in the planning of each supported Protected Area.

In 2018, the project received funds totaling R\$5 million (R\$5 million in 2017), and the amount of R\$0.7 million (R\$0.5 million in 2017) was invested.

f) Maintenance of a Wild Animal Rehabilitation Center (“CRAS”) in the state of Rio de Janeiro

This project aims to maintain a Center for Wild Animal Rehabilitation (“CRAS”) in the state of Rio de Janeiro implemented using part of funds from TAC, including the acquisition of appropriate food, human and veterinary medications, outpatient and laboratory materials, individual protection equipment, uniforms, payment of salaries and support to training of all staff involved, for proper assistance in case of environmental emergency, especially those related to oil linkage. This project will start when the project for implementing a CRAS in the state of Rio de Janeiro is completed.

Since the CRAS implementation project is awaiting a definition as to its new scope, the CRAS maintenance project is paralyzed.

In 2018, R\$1.5 million funds were received, generating income of R\$48 thousand, and the amount of R\$0.1 million was invested.

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8. Third-party funds related to projects (Continued)

8.14. Conduct Adjustment Agreement (“TAC”) Implementation Term - Chevron do Brasil (Continued)

g) Biodiversity Conservation and Sustainable Use in five (5) Federal Coastal and Estuarine Protected Areas of the states of Rio de Janeiro and São Paulo

This project aims to promote the biodiversity conservation in the coastal and marine zone of the states of Rio de Janeiro and São Paulo, as well as the sustainable use of fisheries resources as a long-term strategy to contribute to the environmental, social and economic sustainability of the activity by strengthening and supporting the conservation and the sustainable use of biodiversity in five coastal and estuarine Protected Areas of the states of Rio de Janeiro and São Paulo:

- (i) Natural Monument (“MONA”) in Cagarras Islands;
- (ii) Environmental Protection Area (“APA”) in Cairuçu;
- (iii) National Park (“PARNA”) in Serra da Bocaina;
- (iv) Guanabara Ecological Station (ESEC); and
- (v) Tupinambás Ecological Station (ESEC).

In 2018, the Technical Cooperation Agreement was entered into between Funbio and ICMBio, starting the effective support to the referred to Protected Areas. To start the execution, a training workshop was held for the managers of the supported Protected Areas. By the end of the year, a part of the assets requested was delivered, as well as a part of the advisory and other services provided for in the planning of each supported Protected Area.

In 2018, the project received funds totaling R\$3.4 million (R\$6.5 million in 2017), and the amount of R\$0.7 million (R\$0.6 million in 2017) was invested.

h) Implementation of environmental education projects focused on the environmental quality of fishing communities of the state of Rio de Janeiro

This project aims to promote the biodiversity conservation in the coastal and marine zone of the state of Rio de Janeiro, the sustainable use of fisheries resources in that State and the strengthening of artisanal fishing as a long-term strategy to contribute to the environmental, social and economic sustainability of the activity, by implementing educational projects and improving environmental quality.

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Notes to financial statements (Continued)
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8. Third-party funds related to projects (Continued)

8.14. Conduct Adjustment Agreement (“TAC”) Implementation Term - Chevron do Brasil (Continued)

- h) Implementation of environmental education projects focused on the environmental quality of fishing communities of the state of Rio de Janeiro (Continued)

The project is awaiting the completion of the service and the delivery of all products provided for in the contract with the advisory firm engaged for the Project “Implementation of Environmental Education Projects and Income Generation for the Fishing Communities of the state of Rio de Janeiro”.

In 2018, the project received funds totaling R\$6.7 million (R\$3.2 million in 2017), and the amount of R\$0.6 million (R\$0.3 million in 2017) was invested.

8.15. Conduct Adjustment Agreement (TAC) Implementation Term - Aerovale

The Project “Pecuniary Environmental Compensation for Aerovale Venture in the city of Caçapava, state of São Paulo” is derived from the Definitive Legal Agreement Term entered into on November 30, 2015 by the Public Prosecutor’s Office of the State of São Paulo, C.E.A. (Centro Empresarial Aeroespacial Incorporadora Ltda.) and Penido Construtora e Pavimentadora Ltda.

The project implementation started in 2016, after the execution of the non-reimbursable financial collaboration contract between C.E.A., Penido and FUNBIO, on January 25, 2016, in the total amount of R\$1,141,040.90 (one million, one hundred and forty-one thousand, forty reais and ninety cents).

The Project has three objectives. The first aims to develop the Management Plans of two Protected Areas located in the city of Caçapava, the Environmental Protection Area of Serra do Palmital and Wildlife Refuge of Mata da Represa. The second includes the restoration and adaptation of the kennel and cattery maintained by AMAIS Association (Associação Melhores Amigos dos Animais de Caçapava) and the third provides for the implementation of the Zoonosis Control Center in the city of Caçapava.

In 2018, the preparation of Management Plans continued to be financed, and the amount of R\$0.1 million (R\$0.5 million in 2017) was invested, and receipts totaled R\$0.1 million (R\$0.2 million in 2017). All the products related to this engagement were delivered and paid. The other objectives of this Project were not implemented due to lack of financial resources. Therefore, Funbio will provide for the termination of the Financial Collaboration Contract in early 2019.

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8. Third-party funds related to projects (Continued)

8.16. Project to Support R20 activities in Brazil

R 20 – Regions of Climate Action, is a non-governmental organization founded in 2010 in California, United States of America that entered into a partnership agreement with FUNBIO aiming operational support for the management of resources contributed by and for R20, consisting of financial resource management for the feasibility of the initial resources receipts and payments for R20 activities in Brazil.

In 2018, R\$344 thousand (R\$158 thousand in 2017) were received, and the amount accounted for totaled R\$343 thousand (R\$164 thousand in 2017).

In the third year of partnership, the amount of R\$0.1 million was received and the amount of R\$0.1 million was accounted for.

8.17. Amazon Live - 1 Million Trees in Xingu River headwaters (Rock in Rio and ISA)

A Rock World S.A. Initiative, which is the promoter of the Rock in Rio event, FUNBIO was selected for the financial management of resources from an initial cooperation of R\$3 million to plant 1 million trees at Xingu River headwaters in the state of Mato Grosso. The action found in the Socio and Environmental Institute and in the Xingu Seeds Network the ideal partners to achieve the proposed target, through a planting technique known as “muvuca” which ensures the species variety in the same territory.

In addition to the initial donation, which will take place gradually as the need for planting, Rock in Rio, through the Amazon Live Project, strives to raise funds through voluntary donations in “crowdfunding” websites, donations of goods for auctions, donations from sponsors, always aiming at enlarging the amount of trees to be planted.

During 2018, the project received from FUNBIO the amount of R\$1.2 million (R\$2 million in 2017) and invested R\$1.2 million (R\$1.7 million in 2017) to ensure purchases of seeds, maintain the areas planted in 2017 and plant new areas in 2018/2019.

8.18. FUNBIO Mentoring - BioGuiné

Project financed by the Project K mentoring component, whose purpose 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.

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8. Third-party funds related to projects (Continued)

8.18. FUNBIO Mentoring - BioGuiné (Continued)

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 operational 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, the total project balance, R\$86 thousand (R\$19 thousand in 2016), was invested.

8.19. Mata Atlântica III

Project with resources amounting to €7.9 million (euro) funded by BMU (German Ministry of Environment) through the German Development Bank ("KfW") which aims to: contribute to the Atlantic Forest's biodiversity conservation and the ecological restoration, with emphasis on the selected mosaics of protected areas, contributing to mitigation and adaptation to climate change in this biome. Considerations are expected to this project amounting to €6.4 million (euro) from the German Agency for International Cooperation ("GIZ") and €4.0 million (euro) from the Brazilian Ministry of Environment (MMA).

The following activities were carried out over 2018:

- Extension of the project deadline for December 2020;
- Forwarding and conclusion of all requests to engage an advisory firm opened in the Brain system by the Ministry of Environment, to wit:
 - Preparation of Municipal Plans of the Atlantic Forest in the Lagamar and MCF mosaics -> Advisory firms engaged starting activities in December;
 - Registration and registration validation with CAR in MAPES and MCF mosaics-> The engagement related to MAPES mosaic was completed in December; however, the activities will begin in January 2019 while engagement related to MCF will be restarted in 2019 after adjustments in the ToR (Term of Reference), due to the low engagement of companies in the process and the proposal amount significantly above that planned;
 - Ecosystem-based Adaptation Training for preparation of Management Plans-> The selection process was completed and the selected advisory firm carried out all planned activities in 2018. The workshop with about 30 participants took place from December 3 to 5, involving 4 states engaged in this project. The advisory firm final report, as well as the ToRs for contracting the Management Plans of the 4 states, will be submitted to MMA in January 2019;

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8. Third-party funds related to projects (Continued)

8.19. Mata Atlântica III (Continued)

- Economic analysis of the supply chain for recovery of native vegetation for each one of the three mosaics -> The three engagements were completed. The advisory firm for Lagamar mosaic began its activities in September, while the advisory firms for MAPES and MCF began their activities in December;
- Preparation of a strategy to increase the availability of funding for recovery of the native vegetation on a large scale -> The engagement was completed and activities began in December;
- Review of the Priority Areas for conservation of biodiversity in the Atlantic Forest-> All the workshops and other planned activities were carried out throughout 2018. In December, the 5th product was delivered, remaining only the final product for completion by the advisory firm in early 2019;
- Advisory service to components 1 and 3 of the project -> The negotiation between the partners to define the format of the engagement was concluded and afterwards it was performed. Activities started in December.
- Development of the Call for Projects document to be launched by Funbio in 2019 to support the establishment of reference centers in forest restoration in the Atlantic Forest. After No Objection from donor to the document, Funbio awaits the realization of the amendment to the Separate Agreement for its launching.
- Meeting with the Management Committee for planning activities and budget for the last two-year period of the project (2019/2020).

In 2018, this project received funds totaling R\$2.4 million (R\$1 million in 2017), and the amount of R\$1.7 million (R\$0.6 million in 2017) was invested.

8.20. Latin American and Caribbean Network of Environmental Funds (“RedLAC”) Meeting - Brazil 2016

From November 1 through 4, 2016, the XVIII RedLAC Meeting was held in the city of Brasília, Federal District, gathering approximately 40 Environmental Funds of the Latin American and Caribbean Network of Environmental Funds (“RedLAC”) and of African countries member of the Consortium of African Funds for the Environment (CAFÉ). FUNBIO was the host and organizer of this event that involved approximately 350 people in 5 days of Meeting and parallel events.

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8. Third-party funds related to projects (Continued)

8.20. Latin American and Caribbean Network of Environmental Funds (“RedLAC”) Meeting - Brazil 2016 (Continued)

This initiative was sponsored and supported by the following institutions: National Bank for Economic and Social Development (BNDES), Tropical Forest Conservation Act (TFCA), José Roberto Marinho, German Development Bank (“KfW”), Oak Foundation - Oak Philanthropy Ltd. and through the Non-reimbursable Technical Cooperation Agreement entered into by and between FUNBIO and InterAmerican Development Bank (IDB) under the Planning and Strengthening of the Transition Fund Manager for the Amazon Region Protected Areas (ARPA) Program for Life.

Considering donations and concessions, the amount of R\$491 thousand was raised, out of which, R\$508 thousand was used in the event - R\$424 thousand in 2016 and R\$84 thousand in 2017. The project was completed in 2017.

8.21. Support to BIOFUND Project - Mozambique

The purpose of this Project, which is in partnership with GITEC, a German advisory firm, and the local NGO *Verde e Azul*, was to provide technical support to strengthen the BIOFUND’s operating capacity. Funbio supported BIOFUND in the definition and implementation of procedures, design and use of tools focused on the funding of the Protected Areas of Mozambique. The project counted on funds amounting to US\$1 million from the German Development Bank (KfW) between 2016 and 2017.

In 2017, a new agreement was entered into 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 and continuous improvement of procedures, design and use of tools focused on the funding of the Protected Areas of Mozambique. The project counted on funds amounting to US\$400 thousand from the German Development Bank (KfW) to be invested in the first half of 2018.

Main results achieved in 2018:

- Mapping of process, definition of flows and recommendations for improvement of activities under the administrative and financial scope of BIOFUND;
- Structuring of procedures and flows, and tools for monitoring the institutional performance and projects implemented by BIOFUND;
- Preparation of a policy and of a monitoring guide of BIOFUND;
- Completion of Project.

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8. Third-party funds related to projects (Continued)

8.21. Support to BIOFUND Project - Mozambique (Continued)

In 2017, the amount of R\$187 thousand (R\$55 thousand in 2016) was invested by this Project in its first phase.

8.22. Conference of the Parties (“COP”) Cancun 13

From December 4 to 17, 2016, the Conference of the Parties (“COP”) of the Biological Diversity Conservation (“CBD”) was held in Cancun - Mexico. FUNBIO operated as a fundraiser for the contributions and organizer of Stand Brasil, a Brazilian representation space 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 (CI-Brasil).

Considering donations and concessions, R\$0.2 million was received, out of which, R\$0.1 million was invested in the event (R\$0.1 million in 2016 and R\$51 thousand in 2017). The amount of R\$68 thousand was transferred to Conservation International (CI-Brasil), upon sponsors' consent. This project was completed in March 2017.

8.23. Federal Environmental Compensation in the Amazon Region (CAF Amazon)

The purpose of this project is to assist ICMBio in its efforts to create and implement tools and processes to optimize the use of federal environmental compensation resources, focused 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 this project was entered into in September 2017, a small number of outcomes 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 early 2018, after amendments to laws, ICMBio decided to redesign its efforts, starting to prioritize the development of a computerized system for the management of environmental compensation. After a number of negotiations, it was decided to complete the project with Funbio and with Gordon and Betty Moore Foundation, and the balance of resources, amounting to R\$1.8 million, was returned to its source.

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8. Third-party funds related to projects (Continued)

8.23. Federal Environmental Compensation in the Amazon Region (CAF Amazon) - Continued

No Funds were received in 2018 (R\$1.6 million in 2017). The funds referring to 2017 were received through Gordon and Betty Moore Foundation. From that amount for 2017, R\$269 thousand derived from Moore Sustainability Project and R\$95 thousand from Project Commitment for the Amazon Region - ARPA for Life - New Sources. In 2018, the amount of R\$95 thousand was invested (R\$475 thousand in 2017), and there was a return of indirect overhead appropriated in the amount of R\$406 thousand.

8.24. Forest Innovation

The Forest Innovation project corresponds to the second phase of the “SVA Innovation” project, whereby 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 ventures based on their local potentialities. The pilot of the initiative occurs in Northern Rondônia, which has a strong forest vocation, in the area of influence of the Hydroelectric Power Plant (HPP) Jirau.

In 2018, a series of interviews and contacts were made with stakeholders both from inside and outside the territory, in addition to a local project communication event, engagement and gathering of information. These agreements allowed to establish strategic partnerships with the private and public sectors, academic institutions and not-for-profit entities. The project engaged two advisory firms, one focused on forest restoration and the other that support the development of a forest business ecosystem strategy, the holding of an event in the territory to understand the significant demands based on the design thinking model and support to the strategy for non-timber forest resources. In 2018 the model of action in the region was designed, forecasting a funding platform that may support a diversified project portfolio. In addition to the model design, arrangement and governance, a manual was developed to guide the platform’s action. This project was presented at the RedLac Meeting in Bolivia. A case study was developed on the project experience, which will be published by the funding party. The project’s activities were completed in 2018.

In 2018, this project received funds amounting to R\$322 thousand (R\$0 in 2017), and the amount of R\$334 thousand (R\$318 thousand in 2017) was invested.

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Notes to financial statements (Continued)
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8. Third-party funds related to projects (Continued)

8.25. Cooperation Agreement between Funbio and MMA - Probio II

This Agreement was entered into to enable the use of the remaining financial resources from the Integrated Public-Private Actions for Biodiversity Project (Probio II - TF 91515). These resources derive from the finance income from GEF donation and upon an agreement made among Brazil's Federal Savings and Loans Bank ("CEF"), the World Bank and FUNBIO.

On January 31, 2017, the amount of R\$0.6 million was transferred to Funbio to be invested in the following activities:

- Promote actions related to the review 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.

Over 2018:

The advisory service relating to the review of priority areas for the conservation, sustainable use and partition of the Brazilian biodiversity benefits to Pampa biome was completed;

In 2018, this project received no funds (R\$0.6 million in 2017), and the amount of R\$261 thousand (R\$126 thousand in 2017) was invested.

8.26. Publication of state Protected Areas of 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 funding strategy for the State of Amazonas Protected Areas System ("SEUC") - this diagnosis was part of a larger project named Moore Amazon). At the end of 2016, WWF-Brazil and Funbio entered into a technical-financial partnership agreement whereby Funbio will receive R\$63,000.00 (sixty-three thousand reais) to review the information and prepare a publication on SEUC's financing strategy and environment.

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8. Third-party funds related to projects (Continued)

8.26. Publication of state Protected Areas of Amazon Region (Continued)

In 2018, after a change of government and later state elections, various attempts have been made to contact the State Environment Secretariat to collect basic information for publication. At WWF-Brazil's initiative, it was decided to terminate the agreement by mutual consent, given the difficulties in obtaining the basic data. Project completed.

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

8.27. Funbio Scholarships - Preserving the Future

Result of the partnership between Humanize Institute and Funbio, the **2018 Funbio Scholarships - Preserving the Future** Program was an unprecedented initiative of this organization to provide financial support to field research on biodiversity and environmental conservation, of students enrolled in Master and PhD courses in Brazilian higher-education institutes and universities. Six hundred (600) applications were submitted, 546 eligible projects from applicants of 25 states and of Federal District, mostly females (60%). The total funds expected for the scholarships amounted to R\$1 million, of which Master students (40% of applicants) could apply for up to R\$20 thousand while PhD students could apply for up to R\$40 thousand.

A commission led by the general secretary of Funbio Rosa Lemos was established, specifically for the final selection of projects. This commission was composed of three members of Funbio Board: Mr. Fábio Scarano, Mr. Ricardo Machado and Ms. Ludmilla Aguiar, the unit coordinator Ms. Fernanda Marques and Ms. Rosa Lemos.

Twenty-nine (29) research projects were selected from students of 15 federal universities, four state universities, two from the National Institute of Research of the Amazon Region ("INPA") and one from the National Institute for Space Research ("INPE"). These researches were proposed to be carried out in the fields of Mata Atlântica (8), Amazônia (5), Cerrado (5), Marinho (5), Caatinga (3), Pampa (2) and Pantanal (1) biomes. Twenty-six (26) scholarships were granted to PhD students and three (3) to master students. The result was published on the Funbio website on January 2, 2019 and the contracts are being entered into with selected applicants by Funbio's legal advisors.

In 2018, this project received funds amounting to R\$1 million, and the amount of R\$13 thousand was invested.

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Notes to financial statements (Continued)
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8. Third-party funds related to projects (Continued)

8.28. Amazonian Mangroves - RAMSAR Sites

The Amazonian Mangroves Project is an initiative of FUNBIO in partnership with ICMBio, whose donor is the Government of Norway. The project, amounting to kr500 thousand (NOK), aims to establish a social governance system for the Amazon Ramsar Mangroves, through the engagement of local institutions and traditional communities, especially local artisanal fishermen.

The project aims to sensitize and promote full and active social participation in a socially engaged governance system, and actions will take place at the Ramsar Site "*Estuário Amazônico e seus Mangues*" (Amazon Estuary and its Mangroves) and in other surrounding Ramsar sites: "Parque Nacional do Cabo Orange", "Reentrâncias Maranhenses" and "Baixada Maranhense".

At the end of 2018, the amount of R\$143 thousand was transferred to FUNBIO and R\$37 thousand was invested, with the promotion of two workshops. The first workshop was promoted in the city of Belém, state of Pará, on November 22, 2018 and the second one in the city of São Luís, state of Maranhão, on November 23, 2018, both aiming the leveling and mobilization for the actions proposed.

8.29. Conservation, Restoration and Management Strategies for the Biodiversity of Caatinga, Pampa and Pantanal Project (GEF TERRESTRE)

This project aims to promote the conservation of the biodiversity of Caatinga, Pampa and Pantanal, through three main strategies:

1. Expansion and consolidation of the Brazil's National System of Protected Areas ("SNUC"), including the creation of new Protected Areas and promoting increase in effective conservation of already existing areas;
2. Restoration of native vegetation; and
3. National Action Plans of endangered species.

Its implementation will take place in partnership with ICMBio, JBRJ and state environmental agencies, under the technical coordination of the Ministry of Environment and its investments will be carried out by Funbio. The InterAmerican Development Bank (IDB) is the implementing agency of the resources of donation from Global Environment Facility Trust Fund (GEF), amounting to US\$32,621,820, to be invested over 5 years from the contract date, which was entered into in May 2018.

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8. Third-party funds related to projects (Continued)

8.29. Conservation, Restoration and Management Strategies for the Biodiversity of Caatinga, Pampa and Pantanal Project (GEF TERRESTRE) - Continued

In 2018, the following activities were carried out by the Project:

- Public consultation for dissemination of the Project and of safeguards for civil society;
- Start-up Mission with the IDB;
- Workshop on Input Planning;
- Compliance with preliminary conditions for the 1st disbursement;
- Opening of an account and receipt of the 1st disbursement in the amount of R\$0.585 million.

8.30. REDD Early Movers Mato Grosso - REM MT

This Project consists of the remuneration on results (ex-post) of reductions of emissions of greenhouse gases from deforestation. The main purpose of the Project is to significantly reduce the emissions from deforestation and environmental degradation in the state of Mato Grosso and in Brazil.

The resources to facilitate the Program are contributed by the German Government in the amount of up to €17 million (euro), through KfW and the UK Government through the Brand Energy & Infrastructure Services (BEIS) of up to £24 million (pounds). The contracts are conditioned on the maintenance of total deforestation indexes in the state of Mato Grosso below the limit of 1,744 square kilometers per year.

In 2018, FUNBIO enabled a dedicated project management, with the hiring of a Manager and also the definition of Coordination structures at the local level, in the state of Mato Grosso. Based on these measures, the project management essentially facilitated the actions required to carry out the first scheduled disbursement (€5 million (euro) and £8 million (pounds)).

In 2018, the first tranche of the first disbursement was performed in the amount of R\$22 million, equivalent to €5 million, and the second tranche refers to the contribution from BEIS (£8 million) for 2019.

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8. Third-party funds related to projects (Continued)

8.31. Amapá Fund

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

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

FUNBIO ensures the engagement of a professional asset manager for compliance with the investment policy proposed by the fund. The first contribution occurred in 2016, in the amount of R\$8.1 million. The fund is invested and a review is being conducted of the project operational guide and governance structure. The need to make a realignment due to changes to the team is also being reviewed.

8.32 Bahia and Espírito Santo Fund - Atlantic Forest Protected Areas Fund (AFPA Fund)

The AFPA Fund, also known as “Bahia Fund”, was designed by FUNBIO with support from the Gordon and Betty Moore Foundation and CI-Brasil, and in close coordination with Chico Mendes Institute for Biodiversity Conservation (ICMBio), to allocate resources to ensure the biodiversity 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), from Conservation International.

FUNBIO ensures the engagement of a professional asset manager for compliance with the investment policy proposed by the fund. The first contribution occurred in 2016, in the amount of R\$6.9 million. The fund is invested and a review is being conducted of the project operational guide, governance structure and implementation format.

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9. GEF Agency

The Global Environment Facility (GEF) created in 1991, following the Convention on Biological Diversity entered into during Rio-92, had a pilot phase as a program under the World Bank and, in 1994, became independent.

GEF funds are available for developing countries and countries whose economy is in transition to meet the objectives of international conventions and environmental agreements. GEF funds are transferred to agencies accredited by GEF.

FUNBIO, which already executed projects implemented by other agencies, such as: The World Bank and FAO, is the only agency in Brazil accredited by GEF and one of the 3 in the world.

GEF Agency is an area of Funbio, the purpose of which is to mobilize resources directly from the Global Environment Facility (GEF), capacity allowed to Funbio after an accreditation process in this Fund, which was closed in 2015.

The creation of GEF Agency in FUNBIO allows to support institutions, especially the Ministries of Environment, Sciences, Technology, Innovation and Communication, interested in the preparation and adequacy of projects to be submitted to GEF.

Once approved, each project receives funds for the Fund Project (funds allocated to the project to be implemented) and for Agency FEE (funds from the implementing agency) initially for the preparation of projects, and, after approved, receives funds for its actual implementation.

In 2018, FUNBIO submitted no project proposal to GEF, since the new project submission cycle was initiated in July 2018, and there was no due time to prepare a new project.

Accordingly, the area currently works with only one project related to endangered species in Brazil.

Projects under implementation	Partners	Biome
Pro-Species Project	MMA, IBAMA, ICMBio and WWF	Nationwide

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9. GEF Agency (Continued)

The Pro-Species Project, which is intended to improve the conservation status of 290 endangered species that cannot be found in Protected Areas or Indigenous Reservations, was approved by GEF Board at the meeting in April 2016. After that, Funbio received funds to detail the project to a full version and engaged the International Union for Conservation of Nature (“UICN”) so that, together with MMA, could do such work. In early 2018, WWF-Brazil was selected to financially execute the project’s actions, going through a period of preparation of documents and systems. In August 2018, the project was started.

This was the first project of GEF Agency at Funbio to go through the entire GEF approval cycle and start implementation processes.

In addition to this work, the area was also responsible for accreditation in another multilateral fund, the Green Climate Fund, in October 2018.

Preparatory Pro-Species Project

On August 24, 2016, a financial support contract was entered into for the preparation of the evaluation document of the “National Strategy for the Conservation of Endangered Species - Pro-Species” Project, for application to the Global Environment Facility (GEF) Board, between Funbio and UICN, effective for 9 months, in the amount of R\$800, of which R\$400 was transferred in 2016. In 2017, an Amendment was entered into extending the effective period by 5 months and adding R\$147 to the contract amount. The amount of R\$400 was transferred and R\$328 were accounted for.

UICN is an environmentalist organization founded in 1948. In Brazil, it has operated as a non-governmental organization since 2010. Its activities are focused on the application of UICN’s Global Program in Brazil, involving a variety of topics, such as: governance, environmental policies and legislation, protected areas, endangered species and ecosystems, landscape ecology and planning, ecological restoration, climate change and ecosystem services.

The Project aims to prepare a Pro-Species Project based on the support to the Ministry of Environment in preparing the Pro-Species Project Document, with technical and administrative support to hold meetings and workshops, articulation of key players for the preparation and execution of Pro-Species Project, engagement of advisory firms and preparation of documents, including and mainly the Pro-Species Project Evaluation Document, with content and form adequate for the submittal of the document to GEF Executive Secretariat for their endorsement.

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9. GEF Agency (Continued)

Preparatory Pro-Species Project (Continued)

The transfer of funds to the project was made by means of disbursements, according to the physical and financial budget and disbursement schedule, and the execution has followed the rules in Funbio's Manual of Procedures and Procurement and Contracting activities - PO-12/2014.

All purchases and contracts have been recorded in the plan of acquisitions and each transaction is submitted to Funbio for analysis and acceptance as a way to enforce and ensure the application of the Funbio's rules.

After the full project was approved by GEF Secretariat on July 20, 2017, the focus of the relationship with UICN was placed on the preparation of the project implementation with the preparation of the Operational Guide and preparatory meetings with the project beneficiaries. However, at the end of 2017, the project was temporarily suspended. At the beginning of 2018, an evaluation was conducted on the continuity of this work, and it was decided, based on the due diligence process carried out at UICN, that the project implementation would be carried out by another more experienced and structured institution.

Although this was a possibility identified since the beginning of the preparation project, the engagement of the Executing Institution (WWF-Brazil) and the internal preparation were slower than expected, noting that this was the first time Funbio undertook this process, resulting in the start of the project only in August 2018.

Pro-Species Grant Project

The project was actually started in August 2018 and the first WWF-Brazil accountability was done at the end of the year; however, it had not yet been approved by Funbio until the year-end.

The project's initial activities were being carried out at the end of 2018, and in February or March 2019 the first supervision mission will be carried out.

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9. GEF Agency (Continued)

Pro-Species Grant Project (Continued)

The table below segregates the funds intended for advances to FUNBIO for preparation of proposals and the institution's administrative costs, funds that should be directly allocated to the projects approved:

	<u>2018</u>	<u>2017</u>
Funds related to GEF Agency - Projects	80	175
Funds related to GEF Agency - FUNBIO	3,643	4,162
Funds related to GEF Agency - Pro-Species Grant	3,590	4,858
	<u>7,313</u>	<u>9,195</u>
Project-related advances - GEF Agency	<u>1,974</u>	<u>472</u>
Total	<u>9,287</u>	<u>9,667</u>

GEF Agency - Funbio

<u>Description</u>	<u>12/31/2017</u>	<u>Cash inflow - Contributions to project preparation</u>	<u>Cash inflow - Contributions to projects approved</u>	<u>Funbio Costs</u>	<u>Short-term investment yields</u>	<u>Finance costs</u>	<u>12/31/2018</u>
GEF Agency - Funbio							
(c/a 29149-8)	4,162	-	(660)	(74)	216	(1)	3,643
	<u>4,162</u>		<u>(660)</u>	<u>(74)</u>	<u>216</u>	<u>(1)</u>	<u>3,643</u>

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9. GEF Agency (Continued)

Preparatory Pro-Species Project

Contracts	12/31/2017	Cash inflow - project preparation	Advances - project preparation	Short-term investment yields	Finance costs	Project costs	12/31/2018
Pro-Species Preparation (c/a 129150)	175	-	-	7		(102)	80
	175	-	-	7		(102)	80

Contracts	12/31/2017	Cash inflow - projects	Advances - projects approved	Short-term investment yields	Finance costs	Project costs	12/31/2018
Pro-Species Grant (c/a 23533-4)	4,858		(1,502)	234			3,590
	-	-	(1,502)	234	-	-	3,590

Contracts	12/31/2017	Advances - project preparation	Accountability	12/31/2018
Pro-Species Grant Project	-	1,502	-	1,502
Pro-Species Preparation	472	-	-	472
Total	472	1,502	-	1,974

10. FUNBIO resources Fund (“FRF”) - Net asset value

The purpose of FUNBIO resources Fund (“FRF”) is to supplement the Entity's cash requirements when necessary. The strategic direction of the Decision-Making Board points toward reducing the Entity's reliance on FRF.

The search for the organization's financial sustainability continues, by increasing the number of projects and streamlining the application of the resources generated. FRF guarantees FUNBIO's activity continuity in times that require the investment of own funds.

In 2018, as defined by management and approved by the Finance and Audit Committee, the amount of R\$1,500 (R\$800 in 2017) was contributed to FRF.

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10. FUNBIO resources Fund (“FRF”) - Net asset value (Continued)

The FRF's asset management is administered by Pragma Gestão de Patrimônio and overseen by FUNBIO's Asset Management Committee.

	<u>12/31/2018</u>	<u>12/31/2017</u>
Balance at January 1	23,826	20,585
Allocation of surplus arising from finance income (*)	1,626	2,441
Allocation of surplus for the year (**)	1,500	800
Transfer of funds to Funbio Scholarship Project	-500	-
Balance at December 31	26,452	23,826

(*) Allocation of surplus for the year proportionally to finance income from the FRF asset (net of provision for income tax and funds from the fund management), administered by Pragma.

(**) Allocation of surplus for the year, approved by the Finance and Audit Committee.

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11. Reimbursement of projects

This account of the revenue group includes the project funds used in the reimbursement of expenses incurred by FUNBIO as the executing entity for the initiative. These are largely related to personnel, commuting and administrative expenses absolutely necessary to carry out the work. Every reimbursement request is backed by the program or project budget, being accompanied by supporting documentation of expenses, becoming a part of the accountability submitted to the donors' approval. Therefore, the revenue presented herein consists of direct project costs.

Projects	12/31/2018	12/31/2017
FMA RJ Agreement	2,716	2,242
ARPA 2nd Phase - GEF	4	1,314
ARPA 2nd Phase - KfW	2,111	884
ARPA 3rd Phase - IDB MSC	137	362
ARPA 3rd Phase - IDB SCI	936	2,060
ARPA 3rd Phase - Transition Fund	4,249	2,060
RedLac Meeting	-	80
Chevron - Support to Federal coastal and estuarine Protected Areas of RJ - Phase I	74	45
Chevron - Support to Federal coastal and estuarine Protected Areas of RJ - Phase II	72	9
Chevron - Porpoise Conservation	228	125
Chevron - Cras Implementation	34	59
Chevron - Cras Implementation – Phase II	9	-
Chevron - Fishing and Marine Research	395	213
Chevron - Environmental Education Project – Phase I	76	29
Chevron - Environmental Education Project – Phase II	14	4
Federal Amazon Compensation - CAF	85	474
Bioguiné Foundation	-	43
Kayapó	105	114
GEF Mar	734	676
GEF Nutrition - BIOVERSITY	422	66
Innovation SVA - 2nd Phase	181	303
Mata Atlântica III	19	2
MOORE - Funbio 15 years	-	29
Moore Sustainability	-	251
New Sources Arpa	-	28
Probio II – MMA balance	-	77
Probio/Oportunity Fund	266	539
BIOFUND Mazambique Project - Phase I	-	140
Project K	185	228
R20	34	16
Rock in Rio - RIR	10	17
TAC Aerolave Caçapava	52	63
Amazon Protected Areas	-	19
Total	13,148	12,571

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12. Recovery of costs

This account of the revenue group records the amounts transferred by the projects to overhead costs incurred by FUNBIO in carrying out its business provided for in the budget for the initiative. The funds transferred to FUNBIO for this purpose do not constitute compensation for services rendered, but rather cooperation to be used for the common purpose set out in the project budget.

Projects	12/31/2018	12/31/2017
TFCA	64	156
Fauna Portfolio - Spix's Macaw	16	-
Fauna Fund Portfolio	1	1
Chevron - Fishing and Marine Research	1,050	1,289
Chevron - Porpoise Conservation	467	932
Chevron - Environmental Education Project - Phase I	465	445
Chevron - Cras Implementation - Phase I	-	152
Chevron - Cras Implementation - Phase II	147	-
Chevron - Support to Federal coastal and estuarine Protected Areas of RJ - Phase I	411	415
Chevron - Environmental Education Project - Phase II	625	304
Chevron - Support to Federal coastal and estuarine Protected Areas of RJ - Phase II	317	605
Mata Atlântica III	681	581
GEF Nutrition	-	40
Rock in Rio - RIR	208	227
Federal Amazon Compensation - CAF (1)	(406)	-
Total	4,046	5,147

13. Services rendered

This account of the revenue group includes the entries related to services rendered - such as advisory services - involving the issue of a municipal invoice, and when so requested by the Entity's partners. This type does not decharacterize the Entity condition.

Projects	12/31/2018	12/31/2017
Patrimônio Natural Fondo Para La Biodiversidade Y Áreas Protegidas	55	-
Gitec Consult GMBH	828	-
Total	883	-

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14. General and administrative expenses

	<u>12/31/2018</u>	<u>12/31/2017</u>
Salaries and charges	(13,263)	(12,260)
Third-party services	(1,370)	(1,139)
Lease and maintenance	(1,229)	(708)
Travel expenses	(254)	(119)
General expenses	(887)	(745)
	<u>(17,003)</u>	<u>(14,971)</u>

15. Finance income (costs), net

	<u>12/31/2018</u>	<u>12/31/2017</u>
Finance income		
Interest income	3	6
Foreign exchange gains	75	5
Short-term investment yield	2,216	3,247
Total finance income	<u>2,294</u>	<u>3,258</u>
Finance costs		
Foreign exchange losses	(36)	(8)
Bank expenses	(476)	(644)
Total finance costs	<u>(512)</u>	<u>(652)</u>
Finance income (costs), net	<u>1,782</u>	<u>2,606</u>

16. Provision for tax, civil and labor contingencies

The Entity is party to lawsuits and administrative proceedings before various courts and government agencies, arising from the ordinary course of its business, involving labor, tax and civil matters. Based on information from its legal advisors and analysis of pending litigation, management recognizes provisions only for contingencies assessed as probable loss.

At December 31, 2018 and 2017, there were no contingencies assessed as probable loss.

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16. Provisions for tax, civil and labor contingencies (Continued)

At December 31, 2018 and 2017, the Entity has the following lawsuits, whose likelihood of loss was assessed as possible by the legal advisors:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Nature of lawsuits:		
Civil (*)	1,000	1,000
Total	<u>1,000</u>	<u>1,000</u>

(*) The mechanism for the Biodiversity Conservation in the state of Rio de Janeiro is known as Atlantic Forest Fund (FMA/RJ), through a partnership with the State Environmental Secretariat of Rio de Janeiro (SEA-RJ). FUNBIO manages the FMA/RJ funds from environmental impact compensation by production enterprises, whose payment is regulated by the Brazil's National System of Protected Areas ("SNUC"), and funds from other sources.

FMA/RJ/RJ was supported by the Term of Agreement No. 003/2009 entered into between the state of Rio de Janeiro, through the State Environment Secretariat ("SEA"), and FUNBIO, facilitated by the State Environmental Institute ("INEA"), aiming at the operation, maintenance and control of the mechanism, which remained effective until 2015. Currently, the Project is supported by Cooperation Agreement No. 04/2016, entered into between FUNBIO and the State Environment Secretariat ("SEA") and State Environment Institute ("INEA").

Under the referred Agreement No. 003/2009, the Public Prosecutor's Office of the State of Rio de Janeiro initiated a Civil Class Action against the state of Rio de Janeiro, INEA and FUNBIO at the 15th Public Finance Court of the Capital of Rio de Janeiro in which it challenged the validity of the legal mechanism of environmental compensation in relation to Parque Estadual da Costa del Sol (PECS). The lawyers engaged reported that FUNBIO was awarded a favorable decision in the lower court and an unfavorable decision in the higher court. Currently, an appeal was filed and has been examined by the High Court of Justice ("STJ") and the Federal Supreme Court of Brazil ("STF"). Therefore, according to these same lawyers, the likelihood of loss on this lawsuit was classified as possible in the amount of R\$1 million.

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17. Insurance coverage

The Entity's policy is to take out insurance coverage on assets subject to risks at amounts deemed sufficient to cover losses, if any, considering the nature of its activity. Given their nature, the risk assumptions adopted are not part of the scope of an audit of financial statements; accordingly, they were not audited by the independent auditors.

At December 31, 2018, the Company had the following main insurance policies taken out from third parties:

Type	Insured amount
Property and equipment	<u>2,500</u>
Civil Liability of Directors & Officers - D&O	<u>5,000</u>