

## **Financial Information**

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

December 31, 2018 and 2017  
with Independent Auditor's Report on the financial information of  
“Certain Projects managed by Fundo Brasileiro para a  
Biodiversidade - FUNBIO”

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

Independent Auditor's Report on the financial information of “Certain Projects managed by Fundo Brasileiro para a Biodiversidade - FUNBIO”

December 31, 2018 and 2017

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**A free translation from Portuguese into English of Independent Auditor's Report on financial information prepared on a receipt and payment accounting base**

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## **Independent Auditor's Report on the financial information of "Certain Projects managed by Fundo Brasileiro para a Biodiversidade - FUNBIO"**

To the  
Directors and Officers  
**Fundo Brasileiro para a Biodiversidade – FUNBIO - "Certain Projects"**  
Rio de Janeiro - Rio de Janeiro State

### **Opinion**

We have audited the financial information of Certain Projects ("Projects"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Entity"), funded by various sponsors, pursuant to donation agreements, for the period from January 1 to December 31, 2018, including a summary of significant accounting practices and the explanatory notes.

In our opinion, the financial information referred to above present fairly, in all material respects, the amounts received and paid in the period from January 1 to December 31, 2018, in accordance with the donation agreements and accounting base for receipts and payments described in Note 2.

### **Basis for opinion**

We conducted our audit in accordance with 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 information" section of our report. We are independent of the Projects in accordance 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 have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of matter - basis of preparation and presentation of the Projects' financial information and restriction on use**

We draw attention to Note 2 to the Projects' financial information, which describes the basis of preparation and presentation of these financial information, aimed at assisting FUNBIO in evidencing compliance with the covenants of aforementioned Agreements relating to preparation of financial information. As such, the Projects' financial information do not serve for other purposes. Our report is intended solely for compliance with the donation agreements between the Entity and the sponsors. Our opinion is not modified in respect of this matter.



## **Other matters**

### **Audit of corresponding figures**

The Projects' financial information for the period from January 1, 2017 to December 31, 2017, presented for comparison purposes in the Notes, were audited by other independent auditors, who issued an unmodified opinion thereon dated April 26, 2018.

### **Responsibilities of management and those charged with governance for the financial information**

Management is responsible for the preparation and fair presentation of these financial information in accordance with the accounting base for receipts and payments described in Note 2 and with the donation agreements entered into by the Entity and the sponsors, which includes determining that referred to base is acceptable for the preparation of the financial information under the circumstances, and for such internal control as management determines is necessary to enable the preparation of these financial information that are free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Projects' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using this basis of accounting for preparing the financial information, unless management either intends to end the Projects, or has no realistic alternative to prevent the Projects from ending.

Those charged with governance are responsible for overseeing the Projects' financial information preparation process.

As described in Note 2, the financial information were prepared on the accounting base of receipts and payments. Referred to accounting base recognizes transactions and facts only when funds (including fund equivalents) are received or paid by the Projects and not when these amounts result from, are earned or originate from rights or obligations that have not yet produced a change in funds (cash).

### **Auditor's responsibilities for the audit of the financial information**

Our objectives are to obtain reasonable assurance about whether the financial information 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 the 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 information.



As part of the audit conducted in accordance with the Brazilian and International Standards on Auditing, and the specific audit requirements set out in the donation agreements entered into between the Entity and the sponsors, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatements of the financial information, 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 (described in Note 2) 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 Projects' 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 information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Projects to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information, including the disclosures, and whether the financial information represent the corresponding transactions and events in a manner that achieves fair presentation.



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working world**

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

Rio de Janeiro, May 27, 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.

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

## Fundo Brasileiro para a Biodiversidade – FUNBIO

Financial information of “Certain Projects managed by Fundo Brasileiro para a Biodiversidade - FUNBIO”

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

Projects	Note	Balance at 12/31/2017	Funds received	Short-term investment yields	Finance costs	Exchange differences	Funds used - accountability	Accountabilit y in progress	Transfers (FUNBIO revenue)	Other transfers	Disbursements/i nternal transfers	Balance at 12/31/2018
Kayapó Fund	4.I (a)	18,503	-	1,308	(240)	-	-	-	-	-	(620)	18,951
Kayapó	4.I (b)	249	234	12	-	-	(784)	-	(105)	-	620	226
Adoption of Parks	4.II (b)	604	-	33	(2)	-	(110)	-	-	-	-	525
Fauna Brasil Portfolio - Spix's Macaw	4.III (c)	135	-	4	-	-	(123)	-	(16)	-	-	-
Fauna Brasil Portfolio - Sirenians	4.III (b)	26	-	-	-	-	(3)	-	-	-	(23)	-
Fauna Brasil Fund Portfolio	4.III (a)	602	-	38	(6)	-	-	-	(1)	-	23	656
ARPA for Life – New Sources	4.IV	-	-	-	-	-	-	-	-	-	-	-
GEF Nutrition	4.V	574	689	41	(4)	-	(862)	-	(422)	-	5	21
Paiteer Suruí Fund	4.VI	-	-	-	-	-	-	-	-	-	-	-
Project K - “KNOWLEDGE FOR ACTION”	4.VII	1,428	1,394	8	(13)	96	(2,236)	-	(185)	-	-	493
Moore Sustainability	4.VIII	-	-	-	-	-	-	-	-	-	-	-
R20	4.IX	-	344	-	(1)	-	(309)	-	(34)	-	-	-
FUNBIO-Bioquiné	4.X	-	-	-	-	-	-	-	-	-	-	-
Mata Atlântica III	4.XI	1,492	2,423	8	(8)	104	(1,000)	(2)	(699)	(564)	-	1,754
RedLac Meeting	4.XII	-	-	-	-	-	-	-	-	-	-	-
Support to BIOFUND - Mozambique	4.XIII	6	-	-	-	-	-	-	-	(6)	-	-
Conference of the Parties (“COP”) Cancun 13	4.XIV	-	-	-	-	-	-	-	-	-	-	-
Federal Environ. Compensation in the Amazon - CAF	4.XV	1,478	-	48	(8)	-	(9)	-	321	(1,830)	-	-
Forest Innovation	4.XVI	3	322	9	(1)	-	(153)	-	(181)	1	-	-
Cooperation agreement FUNBIO and MMA - Probio II	4.XVII	548	-	25	-	-	(261)	-	-	-	-	312
Publication of state Protected Areas of Amazon Region	4.XVIII	-	-	-	-	-	-	-	-	-	-	-
FUNBIO Scholarships - Preserving the Future	4.XIX	-	1,000	19	-	-	(13)	-	-	-	-	1,006
Amazonian Mangroves – RAMSAR Sites	4.XX	-	143	-	-	-	(37)	-	-	-	-	106
GEF Land	4.XXI	-	585	1	(3)	-	(351)	-	-	-	-	232
Amapá Fund	4.XXII	9,576	-	325	(269)	800	-	-	-	-	-	10,432
Bahia and Espírito Santo Fund	4.XXIII	7,237	-	164	(58)	600	-	-	-	-	-	7,943
Subtotal		42,461	7,135	2,042	(612)	1,600	(6,251)	(2)	(1,322)	(2,399)	5	42,656

See accompanying notes.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO”

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 1. Operations

Fundo Brasileiro para a Biodiversidade - FUNBIO, with its head office located at Rua Voluntários da Pátria, 286 - 5º andar, Botafogo - Rio de Janeiro - Rio de Janeiro state, is a not-for-profit institution, which began operating in 1996.

Funbio is an innovative financial mechanism, created to design strategies that contribute with implementation of the Convention on Biological Diversity (CDB) in Brazil. In the course of its 21-year operation, FUNBIO has been a strategic partner for the private sector, various state and federal entities and the organized civil society.

The financial information rendered referring to certain projects managed by Fundo Brasileiro para a Biodiversidade – FUNBIO were prepared by FUNBIO management as at December 31, 2018 in order to inform the financing agents about the financial investment of these projects, as follows:

Kayapó Fund - 4.I(a)  
Kayapó - 4.I(b)  
Adoption of Parks - 4.II  
Fauna and Seismic Fund - 4.III(a)  
Fauna Brasil Portfolio – Sirenians - 4.III(b)  
Fauna Portfolio - Spix’s Macaw - 4.III(c)  
ARPA for Life – New Sources - 4.IV  
GEF Nutrition - 4.V  
Carbono Paiter Suruí Fund - 4.VI  
Project K - “KNOWLEDGE FOR ACTION” - 4.VII  
Moore Sustainability - 4.VIII  
R20 - 4.IX  
FUNBIO-BioGuine - 4.X  
Mata Atlântica III - 4.XI  
RedLac Meeting - 4.XII  
Support to BIOFUND – Mozambique - 4.XIII  
Conference of the Parties (“COP”) Cancun 13 - 4.XIV  
Federal Environmental Compensation in the Amazon Region - CAF - 4.XV  
Forest Innovation - 4.XVI  
Cooperation Agreement between FUNBIO and MMA - Probio II - 4.XVII  
Publication of state Protected Areas of the Amazon Region - 4.XVIII  
FUNBIO Scholarships - Preserving the Future - 4. XIX  
Amazonian Mangroves – RAMSAR Sites - 4. XX  
GEF Land - 4. XXI  
AMAPÁ Fund - 4.XXII  
Bahia and Espírito Santo Fund - 4.XXIII

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 2. Summary of significant accounting practices

#### Basis of preparation

The Project's financial information were prepared on a receipt and payment accounting base, whereby revenues are recognized upon receipt of funds (resources) and expenses are recorded when they effectively represent expenses paid in cash (cash). This accounting practice differs from the accounting practices applicable in Brazil, which establish that transactions must be recorded to the extent that they are incurred rather than when paid.

These financial information are presented in thousands of reais, which is FUNBIO's functional currency. All financial information was rounded to the nearest amount, unless otherwise stated.

Entity management approved these financial information for issue on May 27, 2019.

### 3. Significant information on certain projects managed by FUNBIO

#### I) Kayapó Fund (FK)

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\$14.392, 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 for the operational account, R\$620 of which for transfer to projects and R\$234 referring to Subloan A portion, deposited by BNDES in an operational account. In 2018, the total amount of R\$889 (R\$ 1,749 in 2017) was invested, R\$620 of which were transferred to the projects, R\$164 refer to other project expenses and R\$105 were transferred to FUNBIO (R\$114 in 2017).

- 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 handicraft activities.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### I) Kayapó Fund (FK) (Continued)

- 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 Indian areas where more than 2 thousand Brazilian native people live: Menkragnoti, in state of Pará, and Capoto/Jarina, in Mato Grosso state. The main activities include promoting an increase in production, managing and selling handicraft works, strengthening the cumaru and copaiba supply chain, supporting the production of farms for subsistence and sale, and supporting the inhibition of the presence of invaders and external threats, and experience exchange between Indian people 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 protecting and sustainably managing their land and natural resources and promoting their economic and political autonomy. The project was implemented in 17 villages of three Indian lands: 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 handicraft supply chains for increased income generation and consolidation of institutional actions so that the Indian people may have greater protagonism.

#### a) *Kayapó Fund*

In 2018, the operational account of Kayapó Fund received R\$234.

Inflows, finance costs, yield and transfers in the years ended December 31, 2018 and 2017 were as follows:

	<b>2018</b>	<b>2017</b>	<b>Accumulated</b>
Cash inflows – Kayapó Fund	-	-	14,391
Finance costs	<b>(240)</b>	(393)	(1,626)
Yield	<b>1,308</b>	2,168	11,130
Transfer of funds to operational account	<b>(620)</b>	(1,913)	(4,944)
<b>Total funds</b>	<b>448</b>	<b>(138)</b>	<b>18,951</b>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

I) Kayapó Fund (FK) (Continued)

a) *Kayapó Fund* (Continued)

As at December 31, 2018 and 2017, balances maintained in the project's bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
<b>Kayapó Fund accounts</b>		
Itaú Private – Efficax investment 013548-6	<b>12,758</b>	8,396
Itaú Pragma – FI and floating rate invest. 89239-9	<b>6,196</b>	10,107
<b>Total</b>	<b>18,951</b>	18,503

b) *Kayapó - Operational account*

Detailed information on cash inflows in operational checking account No. 28686-9 in Banco do Brasil is as follows:

	<u>Amount</u>	<u>Date of cash inflow in Bank</u>
<b>Kayapó Fund</b>		
6 <sup>th</sup> installment – 3 <sup>rd</sup> cycle	<b>284</b>	04/10/2018
7 <sup>th</sup> installment – 3 <sup>rd</sup> cycle	<b>210</b>	08/27/2018
8 <sup>th</sup> installment – 3 <sup>rd</sup> cycle	<b>126</b>	09/11/2018
2 <sup>nd</sup> installment – subloan A	<b>234</b>	10/23/2018
<b>Total cash inflows</b>	<b>854</b>	

Inflows and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
Kayapó Fund	<b>620</b>	1,913	4,931
BNDES Part A	<b>234</b>	-	389
Yield	<b>12</b>	23	310
<b>Total</b>	<b>866</b>	1,936	5,630

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### I) Kayapó Fund (FK) (Continued)

##### b) *Kayapó - Operational account* (Continued)

Statement of accumulated operational funds invested until 2018 is as follows:

	<b>2018</b>	<b>2017</b>	<b>Accumulat ed</b>
Advisory services for conducting technical studies on Kayapó quality of life and physical integrity of their lands	<b>164</b>	-	319
AFP Project – Institutional strengthening towards autonomy	<b>284</b>	308	1,379
IR Project – Support to conservation and sustainable development actions for Capoto/Jarina and Menkragnoti lands	<b>210</b>	794	1,813
Kabu Institute Project – Strengthening income-generating activities	<b>127</b>	645	1,372
<b>Total disbursements to other institutions</b>	<b>785</b>	1,747	4,883
Other expenses	-	2	77
<b>Total funds invested</b>	<b>785</b>	1,749	4,959

As at December 31, 2018 and 2017, balances maintained in the project’s bank accounts, including short-term investments, are as follows:

	<b>2018</b>	<b>2017</b>
<b>Kayapó</b>		
Banco do Brasil – CDB invest. 28686-9	<b>226</b>	249
<b>Total</b>	<b>226</b>	249

#### II) 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.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### II) Adoption of parks (Continued)

Current agreements are as follows:

Park	Area (thou) hectares	Contractual funds
Parque Nacional Marinho de Fernando de Noronha	10.9	R\$4,300 - OGX
Parque Nacional dos Lençóis Maranhenses	155	R\$3,500 - 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\$ 525 (R\$605 in 2017), and the amount of R\$110 (R\$72 in 2017) was invested in its activities.

There were no contribution of funds in the Adoption of Parks Project in 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.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### II) Adoption of parks (Continued)

Finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	2018	2017	Accumulated
Inflows - MPX - PNLN	-	-	2,060
Inflows - OGX - PNFN	-	-	2,329
Inflows - BP - RVS Tijuco and da Prata Rivers	-	-	300
Finance costs	(2)	(2)	(9)
Yield	33	45	1,218
<b>Total funds contributed</b>	<b>31</b>	<b>43</b>	<b>5,898</b>

As at December 31, 2018 and 2017, balances maintained in the project's bank accounts, including short-term investments, are as follows:

	2018	2017
<b>Adoption of parks</b>		
Banco do Brasil – CDB invest. 128690-0 - OGX	-	107
Banco do Brasil – CDB invest. 28711-3 - BP	525	497
<b>Total</b>	<b>525</b>	<b>604</b>

#### III) 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 as well as public consultation. In 2018, R\$138 (R\$533 in 2017) were invested and the project's financial balance at year end was equal to zero (R\$135 in 2017).

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### III) Fauna Brasil Portfolio (Continued)

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

Fauna Fund has a balance of R\$656 at the end of 2018 (R\$602 in 2017). In this period, the amount of R\$23 was received and net gains of approximately R\$32 were 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.

#### a) *Seismic and Fauna Fund Portfolio*

Funds received and withdrawn from FUNBIO Funds (FRF) in the years ended December 31, 2018 and 2017 were as follows:

<b>Changes in Fauna Fund</b>	<b>2018</b>	<b>2017</b>	<b>Accumulated</b>
Cash inflows			
Free Funds	<b>23</b>	6	407
Species Conservation	-	-	9
Technical Capacity Development	-	1	10
Specific Project	-	-	51
Sustainable Use of Native Species	-	-	3
<b>Total</b>	<b>23</b>	<b>7</b>	<b>480</b>
FRF Withdrawal			
Free Funds	<b>(1)</b>	(1)	(15)
Specific Project	-	-	(3)
<b>Total (a)</b>	<b>(1)</b>	<b>(1)</b>	<b>(18)</b>
Balance			
Free funds	<b>22</b>	5	392
Species Conservation	-	-	9
Technical Capacity Development	-	1	10
Specific Project	-	-	48
Sustainable Use of Native Species	-	-	3
<b>Total</b>	<b>22</b>	<b>6</b>	<b>462</b>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### III) Fauna Brasil Portfolio (Continued)

##### a) *Seismic and Fauna Fund Portfolio* (Continued)

No funds were invested in the years ended December 31, 2018 and 2017. Accumulated disbursements with the projects until 2018 amount to R\$116.

Additionally, as at December 31, 2018 and 2017, bank accounts received cash inflows referring to short-term investment yield amounting to:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
Yield	38	53	301

As at December 31, 2018 and 2017, balances maintained in the project's bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
<b>Seismic and Fauna Fund Portfolio</b>		
Itaú c/c 01677-4 CDB	455	67
Itaú c/c 01677-4 Private Exclusive FIC	133	126
Itaú c/c 01677-4 DI Repurc. Agreements	68	411
Itaú c/c 01677-4 Automatic Investments	-	1
<b>Total</b>	<u>656</u>	<u>605</u>

##### b) *Fauna Portfolio - Sirenians*

Fauna Portfolio – Sirenians received no cash inflow in 2018 and 2017.

Finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
<b>Sirenians</b>			3,976
Finance costs	-	-	(6)
Yield	-	5	122
<b>Total</b>	<u>-</u>	<u>5</u>	<u>4,092</u>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### III) Fauna Brasil Portfolio (Continued)

##### b) *Fauna Portfolio – Sirenians* (Continued)

As at December 31, 2018 and 2017, balances maintained in the project's bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
<b>Sirenians</b>		
Banco do Brasil - CDB 28629-X	-	26
<b>Total</b>	<u>-</u>	<u>26</u>

##### c) *Fauna Portfolio - Spix's Macaw*

Fauna Portfolio – Spix's Macaw received no cash inflow in 2018 and 2017.

Finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
Spix's Macaw	-	-	3,620
Finance costs	<b>(1)</b>	(1)	(4)
Yield	<b>4</b>	33	504
<b>Total</b>	<u><b>3</b></u>	<u>32</u>	<u>4,120</u>

As at December 31, 2018 and 2017, balances maintained in the project's bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
<b>Spix's Macaw</b>		
Banco do Brasil - C/C 28688-5	-	1
Banco do Brasil - CDB 28688-5	-	134
<b>Total</b>	<u>-</u>	<u>135</u>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### IV) Commitment for the Amazon Region - ARPA for Life - New Sources

The purpose of Project ARPA (The Amazon Region Protected Areas) for Life is to create and implement a new 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.

ARPA for Life comprises a series of agreements relating to projects that have the same objective: rendering long-term sustainability feasible for the Preserved Areas that benefit from ARPA.

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

- Report identifying and presenting the methodologies (amounts invested) of Manaus Free Trade Zone taxation system;
- Report identifying the possibilities of allocation of funds arising from Manaus Free Trade Zone for the conservation;
- 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;
- Presentation of the findings in the Sustainable Business and Impact Investments Forum; and
- Project technically ended.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### IV) Commitment for the Amazon Region - ARPA for Life - New Sources (Continued)

Finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
New Sources Arpa	-	-	2,683
Finance costs	-	-	(15)
Yield	-	8	133
<b>Total</b>	<b>-</b>	<b>8</b>	<b>2,801</b>

This project's funds ended in 2017 upon transfer of balances to another project. As such, no financial changes were recorded in 2018.

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

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

This project, in a partnership with Biodiversity International and funded by the Global Environmental Facility (GEF) through the Food and Agriculture Organization (FAO) and the United Nations Environment Program (UNEP), started in the second half of 2012 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;
- 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.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

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

Throughout 2018, the project was allocated R\$689 and invested R\$862.

Detailed information on cash inflows in operational checking account No. 24104-0 in Banco do Brasil, donated to the project in 2018, is as follows:

	<u>Date of cash inflow in Bank</u>	
<b>GEF Nutrition</b>		
Inflows	329	01/05/2018
Inflows	360	01/11/2018
<b>Total</b>	<u>689</u>	

Funds received, finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
GEF Nutrition	<b>689</b>	740	4,504
Finance costs	<b>(4)</b>	(6)	(26)
Yield	<b>41</b>	79	382
<b>Total</b>	<u><b>726</b></u>	<u>813</u>	<u>4,860</u>

As at December 31, 2018 and 2017, balances maintained in the project’s bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
<b>GEF Nutrition</b>		
Banco do Brasil - C/C 24104-0	<b>4</b>	-
Banco do Brasil – CDB invest. 24104-0	<b>16</b>	574
<b>Total</b>	<u><b>20</b></u>	<u>574</u>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### VI) Paiter Suruí Fund

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

The fund was conceived by Associação Indígena Metareilá (Metareilá Indian People 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, 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 Indian People Association. A step already included in the fund conception: by completion of the technical cooperation phase, which would be performed by a non-indian institution, the funds and financial management should be transferred to a Surui Indian people association. This project was ended in 2017 and its fund balance was transferred by means of an agreement entered into by FUNBIO and Metareilá amounting to R\$660.

Finance costs and yield accumulated in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
Paiter Suruí Fund	-	-	3,192
Finance costs	-	-	(8)
Exchange differences	-	-	39
Yield	-	6	323
<b>Total</b>	<b>-</b>	<b>6</b>	<b>3,546</b>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### VII) Project K - “KNOWLEDGE FOR ACTION”

This project aims at increasing the funds in its operation and using 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 €1,597 thousand + US\$913 thousand 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. 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 for the preparation and review of CAFÉ and RedLAC strategic plans;
- 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 monitoring the impact of environmental funds on biodiversity conservation - institutional level;
- Beginning of the update of the study on 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 Network Financial Sustainability Group;
  - Meetings of the Assessment and Monitoring Group;
  - Presentations of the financial mechanism pilots;
  - Presentations of Project K status and results;
  - Participation in CFA workshop and innovation panel;

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### VII) Project K - “KNOWLEDGE FOR ACTION” (Continued)

##### *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 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.

In 2018, the project invested funds amounting to R\$2,236 (R\$2,533 in 2017) and presented its financial balance under “Funds” amounting to R\$493 at the end of 2018 (R\$1,428 in 2017).

Detailed information on fund inflows in checking account No. 76253011-1 in Banco do Brasil - New York and account No. 3593313888 in Banco do Brasil - Frankfurt, donated to the project in 2018, is as follows:

Project K – account No. 76253011-1	Amount s in € thou	Exchange	Amounts in R\$ thou	Date of fund inflow in Bank
Inflows - GEF/UNEP	52	3.4046	177	04/11/2018
<b>Total</b>	<u>52</u>		<u>177</u>	

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### VII) Project K - “KNOWLEDGE FOR ACTION” (Continued)

<b>Project K – account No. 3593313888</b>	<b>Amounts in €thou</b>	<b>Exchange</b>	<b>Amounts in R\$ thou</b>	<b>Date of fund inflow in Bank</b>
Inflows - GEF/UNEP	<u>252</u>	4.8359	<u>1,217</u>	08/29/2018
<b>Total</b>	<u>252</u>		<u>1,217</u>	

Funds received, finance costs, exchange differences and yield in the years ended December 31, 2018 and 2017 were as follows:

	<b>2018</b>	<b>2017</b>	<b>Accumulated</b>
Inflows	1,394	2,716	8,958
Finance costs	(13)	(17)	(39)
Exchange differences	96	95	62
Yield	8	20	48
<b>Total funds contributed</b>	<u>1,485</u>	<u>2,814</u>	<u>9,029</u>

As at December 31, 2018 and 2017, balances maintained in the project’s bank accounts, including short-term investments, are as follows:

<b>Project K</b>	<b>2018</b>	<b>2017</b>
Banco do Brasil – CDB invest. 28434-3	150	266
Banco do Brasil Frankfurt – C/C 3593313888	244	993
Banco do Brasil New York C/C 76253011-1	8	7
Banco do Brasil New York Repurch. agr. 76253011-1	92	162
	<b>494</b>	<b>1,428</b>

#### VIII) 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 donation from the Gordon & Betty Moore Foundation and the Linden Trust for Conservation.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### VIII) Moore Sustainability Project (Continued)

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

- One sustainable dialogue event on environmental offset 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;
- Detailing the design of strategies for tax credits and approval by 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 dialogues with different States on mechanisms for environmental compensation;
- Resumption of dialogue with new representatives of the state of Rondônia;

The main challenges for 2019 are:

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

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)  
December 31, 2018 and 2017  
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### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### VIII) Moore Sustainability Project (Continued)

This project's funds ended in 2017 upon transfer of balances to another project. As such, in 2018, no financial changes were recorded.

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
Inflows	-	-	2,564
Finance costs	-	-	(12)
Yield	-	21	71
<b>Total</b>	<u>-</u>	<u>21</u>	<u>2,623</u>

#### IX) 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 at operational support for the management of resources contributed by and for R20, consisting of financial resource management for the feasibility of the initial resource receipts and payments for R20 activities in Brazil.

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

Detailed information on cash inflows in operational checking account No. 28.950-7 in Banco do Brasil, donated to the project in 2018, is as follows:

	<u>Amounts in € thou</u>	<u>Date of fund inflow in Bank</u>
R20 - Regions of Climate Action		
CENTRAIS ELETRICAS BRASILEIRAS S/A-	<b>165</b>	01/05/2018
CENTRAIS ELETRICAS BRASILEIRAS S/A-	<b>179</b>	05/11/2018
<b>Total</b>	<u><b>344</b></u>	

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### IX) Project to Support R20 activities in Brazil (Continued)

Funds received and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
R20 - Regions of Climate Action	344	158	976
Finance costs	(1)	-	(1)
Yield	-	-	2
<b>Total</b>	<b>343</b>	<b>158</b>	<b>977</b>

As at December 31, 2018 and 2017, balances maintained in the project’s bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
R20 - Regions of Climate Action		
Banco do Brasil - C/C 28.950-7	-	-
Banco do Brasil – CDB invest.	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

#### X) FUNBIO - 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.

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 (R\$19 in 2016), was invested.

This project’s funds ended in 2017. As such, in 2018, no financial changes were recorded.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### X) FUNBIO - BioGuiné (Continued)

	2018	2017	Accumulated
Inflows	-	-	100
Yield	-	3	5
<b>Total funds contributed</b>	<b>-</b>	<b>3</b>	<b>105</b>

#### XI) Mata Atlântica III

Project with resources amounting to €7.865 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 for this project amounting to €6.400 from the German Agency for International Cooperation (“GIZ”) and € 4,000 from the Brazilian Ministry of Environment (MMA).

The following activities were carried out in 2018:

- Extension of the project deadline to December 2020;
  - Forwarding and conclusion of all requests to engage an advisory firm opened in Cérebro (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 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;

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XI) 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, and only the final product remained to be completed 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 the advisory firm was engaged. Activities began in December.
- Development of the Call for Projects document to be launched by FUNBIO in 2019 to support the establishment of forest restoration reference centers in the Atlantic Forest. After the donor accepted the document, FUNBIO awaits for the amendment to the Separate Agreement in order to launch such document.
- Meeting with Managing Committee to plan activities and budget of the last two-year period of the project (2019/2020).

In 2018, funds were received in checking account No. 28123-9 - Banco do Brasil and account No. 3593311888 - Banco do Brasil - Frankfurt respectively, as follows:

	Euros	Exchange	Reais	Date of fund inflow in Bank
<b>MATA ATLANTICA III account No. 28123-9</b>				
2 <sup>nd</sup> Transfer	45	4.2876	195	05/14/2018
3 <sup>rd</sup> Transfer	36	4.3462	155	06/13/2018
4 <sup>th</sup> Transfer	11	4.7843	54	08/31/2018
5 <sup>th</sup> Transfer	49	4.8177	234	09/12/2018
6 <sup>th</sup> Transfer	51	4.2308	218	10/19/2018
7 <sup>th</sup> Transfer	43	4.1990	182	11/01/2018
8 <sup>th</sup> Transfer	103	4.3364	451	12/04/2018
<b>Total</b>	<b>338</b>		<b>1,489</b>	

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XI) Mata Atlântica III (Continued)

	Euros	Exchange	Reais	Date of fund inflow in Bank
<b>MATA ATLANTICA III account No. 3593311888 - Frankfurt</b>				
3 <sup>rd</sup> Disbursement - KfW	97	4.8353	467	09/18/2018
4 <sup>th</sup> Disbursement - KfW	446	4.3870	1,956	11/26/2018
<b>Total</b>	<b>543</b>		<b>2,423</b>	

Funds received, finance costs, exchange differences and yield in the years ended December 31, 2018 and 2017 were as follows:

	2018	2017	Accumulated
Inflows	2,423	1,040	4,448
Finance costs	(8)	-	(8)
Yield	8	58	73
Exchange differences	104	16	90
<b>Total funds contributed</b>	<b>2,527</b>	<b>1,114</b>	<b>4,603</b>

As at December 31, 2018 and 2017, balances maintained in the project's bank accounts are as follows:

	2018	2017
<b>MATA ATLÂNTICA III</b>		
Banco do Brasil – Invest. 28123-9	224	436
Banco do Brasil Frankfurt – C/C 3593311888	1,530	1,056
<b>Total</b>	<b>1,754</b>	<b>1,492</b>

#### XII) Latin American and Caribbean Network of Environmental Funds ("RedLAC") Meeting - Brazil 2016

From November 1 through November 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, which involved approximately 350 people in 5 days of Meeting and parallel events.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

XII) 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 was raised, out of which, R\$508 was used in the event - R\$424 in 2016 and R\$84 in 2017. The project was completed in 2017.

This project’s funds ended in 2017. As such, in 2018, no financial changes were recorded.

	<b>2018</b>	<b>2017</b>	<b>Accumulated</b>
<b>XVIII RedLac Meeting</b>	-	-	491
Finance costs	-	-	(1)
Yield	-	3	17
<b>Total</b>	<b>-</b>	<b>3</b>	<b>507</b>

XIII) Mozambique - Biofund

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\$1,000 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 from the German Development Bank (KfW) and ended in 2018.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XIII) Mozambique – Biofund (Continued)

*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.

Detailed information on cash inflows in operational checking account No. 28954-x in Banco do Brasil, donated to the project in 2017 and 2018, is as follows:

	Euros	Exchange	Reais	Date of fund inflow in Bank
GITEC Inflows	58	3.388	197	01/19/2017
	<b>29</b>	<b>3.989</b>	<b>116</b>	02/05/2018
	<b>10</b>	<b>3.989</b>	<b>40</b>	02/05/2018
	<b>29</b>	<b>3.261</b>	<b>116</b>	03/02/2018
	<b>36</b>	<b>4.159</b>	<b>150</b>	04/24/2018
	<b>27</b>	<b>4.487</b>	<b>121</b>	07/12/2018
	<b>27</b>	<b>4.303</b>	<b>116</b>	07/25/2018
	<b>13</b>	<b>4.431</b>	<b>58</b>	12/07/2018
	<b>27</b>	<b>4.413</b>	<b>119</b>	12/11/2018
<b>Total</b>	<b>269</b>		<b>1,033</b>	

Funds received, finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	2018	2017	Accumulated
Inflows	<b>879</b>	198	1,326
Finance costs	<b>(4)</b>	(2)	(6)
Yield	<b>1</b>	2	3
<b>Total funds contributed</b>	<b>876</b>	198	1,323

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XIII) Mozambique – Biofund (Continued)

As at December 31, 2018 and 2017, balances maintained in the project’s bank accounts are as follows:

	<u>2018</u>	<u>2017</u>
<b>Mozambique</b>		
Banco do Brasil – CDB invest. 28954-X	-	6
<b>Total</b>	<u>-</u>	<u>6</u>

#### XIV) Conference of the Parties (“COP”) Cancun 13

From December 4 to December 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, the amount of R\$235 was raised, out of which R\$168 were used in the event - R\$116 in 2016 and R\$52 in 2017. The amount of R\$ 67 was transferred to Conservation International Brazil – CI, as approved by the sponsors and the project was ended in March 2017.

Detailed information on cash inflows in checking account No. 29.987-1 in Banco do Brasil, donated to the project in 2017, is as follows:

	<u>Amounts in Reais</u>	<u>Date of fund inflow in Bank</u>
<b>COP 13 CANCUN</b>		
Inflows	25	01/06/2017
Inflows	50	02/10/2017
<b>Total</b>	<u>75</u>	

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XIV) Cop Cancun 13 (Continued)

Funds received in the years ended December 31, 2018 and 2017 were as follows:

	2018	2017	Accumulated
<b>COP 13 CANCUN</b>	-	75	235
<b>Total</b>	-	75	235

This project's funds ended in 2017. As such, in 2018, no financial changes were recorded.

#### XV) 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.

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\$1.800, was returned to its source.

No funds were received in 2018 (R\$1,600 in 2017). We received this amount in 2017 through the Gordon and Betty Moore Foundation. Out of this amount, R\$269 were applied in Moore Sustainability Project.

Commitment for the Amazon Region - ARPA for Life - New Sources In 2018, the amount of R\$95 was invested (R\$475 in 2017), and there was a return of indirect overhead appropriated in the amount of R\$406. Subsequently, the project was ended.

In 2018, no funds were received in checking account No. 23422-2 held in Banco do Brasil.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XV) Federal Environmental Compensation in the Amazon Region (CAF Amazon) - Continued

Funds received, finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
Inflows	-	1,950	1,950
Finance costs	(8)	(6)	(14)
Yield	48	9	57
<b>Total funds contributed</b>	<b>40</b>	<b>1,953</b>	<b>1,993</b>

As at December 31, 2017 and 2018, balances maintained in the project’s bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
<b>Federal Amazon Compensation</b>		
Banco do Brasil – CDB invest. 23422-2	-	1,478
<b>Total</b>	<b>-</b>	<b>1,478</b>

#### XVI) 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.

This project requires a 1 to 1 consideration, reason why FUNBIO, together with Engie - the main project partner, has complied with the requirements relating to evidence of these funds in the three rendering of financial information in 2017 and 2018.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XVI) Forest Innovation (Continued)

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 the project to establish strategic partnerships with private and public sectors, from academic institutions to not-for-profit entities. The project engaged two advisory firms, one focused on forest restoration and one that supports the development of a forest business ecosystem strategy, held 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 ended in 2018.

In 2018, this project received funds amounting to R\$322 (R\$314 in 2017) and the amount of R\$334 (R\$318 in 2017) was invested.

Detailed information on cash inflows in checking account No. 130240-X in Banco do Brasil, donated to the project in 2018, is as follows:

	USD	Exchange	Reais	Date of fund inflow in Bank
Forest Innovation Inflows	100	3.219	322	01/04/2018
<b>Total</b>	<b>100</b>		<b>322</b>	

Funds received, finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	2018	2017	Accumulated
Inflows	322	314	636
Finance costs	(1)	-	(1)
Yield	9	7	16
<b>Total funds contributed</b>	<b>330</b>	<b>321</b>	<b>651</b>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XVI) Forest Innovation (Continued)

As at December 31, 2017 and 2018, balances maintained in the project’s bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
<b>Forest Innovation</b>		
Banco do Brasil - CDB 130240-X	-	3
<b>Total</b>	<u>-</u>	<u>3</u>

#### XVII) 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\$600 was transferred to FUNBIO to be invested in the following activities:

Promote actions related to the update 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

In 2018:

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

In 2018, no funds were received (R\$600 in 2017) and R\$261 were invested (R\$126 in 2017).

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XVII) Cooperation Agreement between FUNBIO and MMA - Probio II (Continued)

Funds received and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Acumulado</u>
Saldo MMA	-	640	640
Rendimento	<b>25</b>	34	59
<b>Total de recursos aportados</b>	<b>25</b>	674	699

Apresentamos abaixo o saldo mantido na conta bancária do projeto, incluindo aplicações financeiras, em 31 de dezembro de 2018 e 2017:

	<u>2018</u>	<u>2017</u>
<b>MMA account</b>		
Banco do Brasil - C/C 130239-6	<b>17</b>	-
Banco do Brasil - Invest. C/C 130239-6	<b>295</b>	548
Total	<b>312</b>	548

#### XVIII) 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 to update the information and prepare a publication on SEUC's financing strategy and environment.

In 2017, the amount of R\$19 was transferred to FUNBIO.

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.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XVIII) Publication of state Protected Areas of Amazon Region (Continued)

Funds received in the years ended December 31, 2017 and 2018 were as follows:

	2018	2017	Accumulated
Inflows		19	19
<b>Total funds contributed</b>	<b>-</b>	<b>19</b>	<b>19</b>

#### XIX) 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\$1,000, of which Master students (40% of applicants) could apply for up to R\$20 while PhD students could apply for up to R\$40.

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 pieces of research 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\$1,000, and the amount of R\$13 was invested. The research scholarships will be contracted and the funds will be released until the end of 2019.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XIX) FUNBIO Scholarships - Preserving the Future (Continued)

	<u>Amounts</u>	<u>Date of inflow in Bank</u>
Inflows (FUNBIO)	500	06/20/2018
Inflows (Instituto Humanize)	500	09/04/2018
<b>Total</b>	<u>1,000</u>	

Detailed information on cash inflows in checking account No. 24.128-8 in Banco do Brasil, donated to the project in 2018, is as follows:

Funds received and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>Accumulated</u>
FUNBIO scholarships	1,000	1,000
Yield	20	20
<b>Total funds contributed</b>	<u>1,020</u>	<u>1,020</u>

As at December 31, 2018, balances maintained in the project’s bank accounts, including short-term investments, are as follows:

	<u>2018</u>
<b>FUNBIO scholarship account</b>	
Banco do Brasil - C/C 24128-8	-
Banco do Brasil - Invest. C/C 24128-8	1,011
<b>Total</b>	<u>1,011</u>

#### XX) 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 (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.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XX) Amazonian Mangroves – RAMSAR Sites (Continued)

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 was transferred to FUNBIO and R\$37 was invested, with the promotion of two workshops. The first workshop was held in Belém, state of Pará on November 22 and the second workshop on November 23 in São Luís, state of Maranhão. These workshops aimed at leveling and mobilization for the actions proposed.

Detailed information on cash inflows in checking account No. 24403-1 in Banco do Brasil, donated to the project in 2018, is as follows:

	NOK	Exchange	Reais	Date of fund inflow in Bank
Amazonian Mangroves Inflows	320	0.44	143	11/19/2018
<b>Total</b>	<b>320</b>		<b>143</b>	

Funds received, finance costs and yield in the years ended December 31, 2018 and 2017 were as follows:

	2018
Inflows	143
Finance costs	-
Yield	-
<b>Total funds contributed</b>	<b>143</b>

As at December 31, 2018, balances maintained in the project's bank accounts, including short-term investments, are as follows:

	2018
<b>Amazonian Mangroves – RAMSAR Sites</b>	
Banco do Brasil - C/C 24403-1	-
Banco do Brasil - CDB 24403-1	106
<b>Total</b>	<b>106</b>

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

XXI) 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 to be invested over 5 years as from the contract date, which was entered into in May 2018.

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 1<sup>st</sup> disbursement;
- Opening of an account and receipt of the 1<sup>st</sup> disbursement in the amount of R\$585.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XXI) Conservation, Restoration and Management Strategies for the Biodiversity of Caatinga, Pampa and Pantanal Project (GEF TERRESTRE) (Continued)

Detailed information on cash inflows in checking account No. 24127-7 in Banco do Brasil, donated to the project in 2018, is as follows:

	<u>Amount</u>	<u>Date of cash inflow in Bank</u>
<b>GEF Land</b>		
Inflows	585	12/18/2018
<b>Total</b>	<u>585</u>	

Funds received, finance costs and yield in the year ended December 31, 2018 were as follows:

	<u>2018</u>
GEF Land	585
Finance costs	(3)
Yield	1
<b>Total</b>	<u>583</u>

As at December 31, 2018, balances maintained in the project's bank accounts, including short-term investments, are as follows:

	<u>2018</u>
<b>GEF Land</b>	
Banco do Brasil - C/C 24127-7	-
Banco do Brasil – CDB invest. 24127-7	583
<b>Total</b>	<u>583</u>

#### XXII) 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\$2,500 donated by the Global Conservation Fund (GCF), Conservation International and state contribution of R\$1,000.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XXII) Amapá Fund (Continued)

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\$8,127. 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.

No cash inflows were recorded in 2018.

Funds received, finance costs, exchange differences and yield in the years ended December 31, 2018 and 2017 were as follows:

	<b>2018</b>	<b>2017</b>	<b>Accumulated</b>
Conservation International (1)	-	36	8,163
Yield	<b>325</b>	1,198	1,891
Finance costs	<b>(269)</b>	(127)	(542)
Exchange differences <sup>(1)</sup>	<b>800</b>	154	920
<b>Total</b>	<b>856</b>	1,261	10,432

(1) Balance adjustment referring to exchange differences amounting to R\$36 on transfer of funds from account FUNBIO NY c/06340-3 to account Itaú Miami c/c 6088320 on 09/27/2016 – Amapá Fund.

As at December 31, 2018 and 2017, balances maintained in the project’s bank accounts, including short-term investments, are as follows:

	<b>2018</b>	<b>2017</b>
<b>AMAPÁ FUND</b>		
Itaú Miami - c/c 6088320	<b>294</b>	90
Itaú Miami – FI and floating rate invest. 6088320	<b>2,549</b>	2,460
Itaú Priv. Efficax invest. - 17414-7	<b>925</b>	1,016
Itaú Pragma – FI and floating rate invest. 96669-8	<b>3,674</b>	3,284
J. P. Morgan Float. rate invest. 16936-6	-	518
Itaú Miami c/c JTU -041412	<b>2,446</b>	2,209
BNY Mellon w/invest. 30266581	<b>544</b>	-
<b>Total</b>	<b>10,432</b>	9,577

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project “Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO” (Continued)

December 31, 2018 and 2017

(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

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

The AFPA Fund, also known as “Bahia & ES 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, this fund 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 was made in 2016, in the amount of R\$6,928. The fund is invested and a review is being conducted of the project operational guide, governance structure and implementation format.

No cash inflows were recorded in 2018.

Finance costs, exchange differences and yield in the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>	<u>Accumulated</u>
<b>Conservation International</b>	-	-	6,928
Yield	<b>164</b>	388	554
Finance costs	<b>(58)</b>	(40)	(113)
Exchange differences	<b>600</b>	53	574
<b>Total</b>	<b>706</b>	401	7,943

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of Project "Certain Projects Managed by Fundo Brasileiro para a Biodiversidade - FUNBIO" (Continued)  
December 31, 2018 and 2017  
(In thousands of reais, unless otherwise stated)

### 3. Significant information on certain projects managed by FUNBIO (Continued)

#### XXIII) Bahia and Espírito Santo Fund - Atlantic Forest Protected Areas Fund (AFPA Fund) (Continued)

As at December 31, 2018 and 2017, balances maintained in the project's bank accounts, including short-term investments, are as follows:

	<u>2018</u>	<u>2017</u>
<b>BA &amp; ES Fund account</b>		
Itaú Miami - c/c 6088320 (1)	-	3,527
Itaú Miami - c/c 6086720	<b>36</b>	-
Itaú Private EFFICAX - FT c/c 02077-9	<b>757</b>	777
Itaú Pragma c/c 88475-0 (2)	-	627
Itaú Pragma c/c 15874-0	<b>2,807</b>	1,938
J. P. Morgan c/c 61325	-	368
BNY Mellon w/invest. 30266580	<b>386</b>	-
Itaú Miami c/JTU021893	<b>3,957</b>	-
<b>Total</b>	<b><u>7,943</u></b>	<b><u>7,237</u></b>

(1) These funds were deposited FUNBIO New York administrative account in 2016. AFPA (Atlantic Forest Protected Areas Fund) Investment Policy establishes that 50% of the funds must be invested abroad and 50% in Brasil. As an asset manager, FUNBIO proposed to unite Amapá Fund and AFPA into a single fund with control of investments separated by the share of each project applied in YCD (Yankee Certificate of Deposit). CI (Conservation International) is still studying this proposal. In 2017, these amounts were withdrawn from FUNBIO NY administrative account and transferred to Itaú Miami c/c 6088320 held by Fundo Amapá, however in separate funds.

(2) On December 28, 2017, the amount of R\$627 was withdrawn from Itaú Private DI repurch. c/c 02077-9 and inappropriately invested in Itaú Pragma - C/C 88475-0 - ARES FT, which was regularized in 2018.



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**A free translation from Portuguese into English of Independent Auditor's Report on compliance with accounting and financial contractual provisions**

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## **Independent auditor's report on compliance with the accounting and financial contractual provisions of "Certain Projects managed by Fundo Brasileiro para a Brasileiro - FUNBIO"**

To the  
Directors and Officers  
**Fundo Brasileiro para a Biodiversidade – FUNBIO - "Certain Projects"**  
Rio de Janeiro - Rio de Janeiro State

We audited the financial information for the period from January 1 to December 31, 2018 of Certain Projects (the "Projects") managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Entity"), funded by various sponsors, and issued our report thereon dated May 27, 2019.

Our audit was focused on checking whether the contractual clauses directly related to accounting and financial matters of the Donation Agreements entered into with the Donors are appropriately complied with.

We conducted our audit in accordance with International Standards on Auditing and the requirements set out in the Donation Agreements entered into between the Entity and the Donors. These standards require that we plan and conduct the audit in order to obtain reasonable certainty that FUNBIO has complied with the covenants set out in the Donation Agreements. The audit includes review, on a test basis, of the evidence deemed appropriate by us. Accordingly, we believe that our audit provides a reasonable base for our opinion.

In our opinion, as at December 31, 2018, FUNBIO complied with, in all significant respects, the contractual clauses applicable, of an accounting and financial nature, of the Donation Agreements entered into between the Entity and the donors.

Rio de Janeiro, May 27, 2019.

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

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

## **Independent Auditor's Report on internal controls of “Certain Projects managed by Fundo Brasileiro para a Biodiversidade - FUNBIO”**

To the  
Directors and Officers  
**Fundo Brasileiro para a Biodiversidade – FUNBIO - Certain Projects**  
Rio de Janeiro - Rio de Janeiro State

This report supplements our report on the financial information of Certain Projects managed by Fundo Brasileiro para a Biodiversidade - FUNBIO.

Management of Fundo Brasileiro para a Biodiversidade – FUNBIO (the “Entity”), Executing Institution of Certain Projects (the “Projects”), is responsible for maintaining internal controls sufficient to mitigate the risks of significant misstatements in the financial information and protect the assets under custody of the Projects, including the areas constructed and other assets acquired. In order to fulfill this responsibility, management is required to make judgments and estimates to evaluate the expected benefits and costs relating to internal control policies and procedures. An internal control system is aimed at providing management with reasonable assurance, but not a guarantee, that the assets are protected against losses deriving from unauthorized use or disposal, that the transactions are performed in accordance with management authorization and that the agreement terms are appropriately recorded in order to allow the financial information to be fairly prepared. Due to the limitations inherent in any internal control system, errors or irregularities may occur and remain undetected. In addition, the projections of any future periods' structure assessment are subject to the risk that the procedures may be inadequate due to changes in conditions, or that the efficiency of the design and operation of the policies and procedures may be impaired.

In planning and conducting our audit of the Projects' financial information for the period from January 1 to December 31, 2018, we obtained an understanding of the internal control structure and assessed the risk of controls to determine our audit procedures, in order to express an opinion on the Projects' financial information, but not to issue an opinion on internal control efficiency.

Our audit of Certain Projects managed by Fundo Brasileiro para a Biodiversidade - FUNBIO for the period from January 1 to December 31, 2018 identified no significant deficiencies in internal control design or operation which could, in our opinion, significantly affect FUNBIO's ability to record, process, summarize and present financial information consistently with management affirmations in the statements of the funds received and disbursements made, as well as with accumulated investments.



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A significant deficiency is a condition in which the design or operation of one or more elements of the internal control structure does not reduce to a relatively low level the risk that errors or irregularities may occur in amounts that could be significant in relation to the Projects' financial information, and that could not be timely detected by FUNBIO employees in the normal course of their duties.

Our consideration on the internal control structure does not necessary expose all matters relating to this system that could be considered significant deficiencies and, as such, should not necessarily expose all conditions to be informed that could be considered significant deficiencies, in accordance with the prior definition.

Rio de Janeiro, May 27, 2019.

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

A handwritten signature in blue ink, appearing to read 'W. Neumayer', is written over the printed name below.

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