

Financial Information

Fundo Brasileiro para a Biodiversidade - Funbio

Period from August 7 to December 31, 2019
with Independent Auditor's Report on Financial Information on
Project "Building knowledge to combat marine waste: plan for
monitoring and evaluation of marine waste in São Paulo state,
Brazil"

Fundo Brasileiro para a Biodiversidade - Funbio

Financial information on Project “Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil”

Period from August 7 to December 31, 2019

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A free translation from Portuguese into English of Independent Auditor's Report on financial information on Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil" prepared in Brazilian currency in accordance with the accounting base for receipts and payments described in Note 2.

Independent Auditor's Report on financial information on Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil"

To the Directors and Officers of

Fundo Brasileiro para a Biodiversidade - FUNBIO

Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil"
Rio de Janeiro - RJ

Opinion

We have audited the financial information on Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil", managed by Fundo Brasileiro para a Biodiversidade - FUNBIO ("Institution"), funded by the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, through a financial support contract, for the period from August 7 to December 31, 2019, including a summary of significant accounting practices and other explanatory information.

In our opinion, the financial information referred to above presents fairly, in all material respects, the amounts received and paid for the period from August 7 to December 31, 2019, in accordance with the contract entered into by and between the parties, and the 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 Project 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 Project's financial information and restriction on use

We draw attention to Note 2 to the Project's financial information, which describes the basis of preparation and presentation of this financial information, aimed at assisting FUNBIO in evidencing compliance with the contractual provisions relating to the preparation of the financial information on Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil". As such, the Project's financial information does not serve for other purposes. Our report is intended solely for compliance with the contract entered into between FUNBIO and the Project's donors. Our opinion is not modified in respect of this matter.

Emphasis of matter - closing of the Project

We draw attention to Note 1 to the Project's financial information, which describes that the Project will be closed in 2020. Therefore, this financial information was prepared on the basis of the closure of activities. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of this financial information in accordance with the accounting base for receipts and payments described in Note 2 and with the provisions of the financial support contract entered into with the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil. This includes determining that the base for receipts and payments 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 this financial information that is free from material misstatement, whether due to fraud or error.

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

As described in Note 2, the financial information was prepared on the accounting base of funds (cash). The accounting base of funds recognizes transactions and facts only when funds (including fund equivalents) are received or paid by the Project 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 is 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 this financial information.

As part of the audit conducted in accordance with Brazilian and International Standards on Auditing, and the specific audit requirements set out in the provisions of the financial support contract entered into with the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial information, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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 Institution's internal control.
- Evaluated the appropriateness of accounting policies used (described in Note 2) and related disclosures made by management.

We communicated 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 have been identified during our audit.

Rio de Janeiro, May 19, 2020.

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



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

Fundo Brasileiro para a Biodiversidade - FUNBIO

Changes in the funds of Project “**Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil**”, for the period from August 7 to December 31, 2019, are as follows:

Project balance at beginning of period (August 7, 2019)	-
Cash inflows	324
Yields	3
Bank fees	-
Execution	(98)
Provisioning under execution	(12)
Project balance at end of period (December 31, 2019)	217

In the period from August 7 to December 31, 2019, the amounts made available and executed are as follows:

	Funds made available			Funds executed		
	Amounts in NOK (thousand)	Foreign exchange*	Amounts in R\$ (thousand)	Amounts in NOK (thousand)	Foreign exchange	Amounts in R\$ (thousand)
1 st Contribution - Royal Norwegian Embassy	708	0.4580	324	214	0.4580	98
Yields (-) Finance Costs	5		2	-		-
Total	713		326	214		98

(*) Translations of Brazilian real (R\$) to Norwegian Krone (NOK) are carried out at the same rate as the inflow of funds.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information on Project “Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil”

Period from August 7 to December 31, 2019

(In R\$ thousands, 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, city and state of Rio de Janeiro, 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 23-year operation, FUNBIO has been a strategic partner for the private sector, various state and federal entities and the organized civil society.

This project has been carried out in partnership among FUNBIO, the UNESCO Ocean Sustainability Chair, Institute for Advanced Studies (IEA) and Oceanographic Institute (IOUSP) of the University of São Paulo as well as the Environmental Secretariat of São Paulo State (SMA). FUNBIO is responsible for the financial and administrative management of the project, while IOUSP and IEA are responsible for technical execution.

The project aims to create a structured and integrated strategy for preparing the Plan for monitoring and evaluation of marine waste in São Paulo state, establishing an effective communication channel between science and management, integrating civil society players, NGOs, government, private sector and academic institutions.

Primary goals

- Structuring a knowledge base to combat marine waste;
- Improve stakeholders' engagement at the state level, through bilateral meetings and two workshops;
- Prepare the Plan for Monitoring and Evaluation of Marine Waste in São Paulo state.

Main results achieved in 2019

- First Workshop held to develop the Plan (PMLM-SP);
- Scheduling of the next event for April 2020.

Main risks and opportunities for FUNBIO

- Risks: Execution in disagreement with deadlines and low adhesion of stakeholders to Workshops and bilateral meetings;
- Opportunities: Expansion of the list of FUNBIO's partners.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information on Project “Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil” (Continued)

Period from August 7 to December 31, 2019

(In R\$ thousands, unless otherwise stated)

1. Operations (Continued)

Planned for 2020

- Workshop to develop the Plan (PMLM-SP);
- Closing of the Project.

2. Summary of significant accounting practices

Basis of preparation and general information

The financial information on Project “Plan for Monitoring Marine Waste in São Paulo state” was 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), as well as in accordance with governmental audit requirements issued by the Comptroller General of the United States of America. The other accounting policies adopted by management are as follows:

1. Statement of the Fund's Responsibility: since FUNBIO uses its own accounting and financial management system to present the Project's operations, the chart of accounts used states the classification of accounting headings. The financial information on Project “Plan for Monitoring Marine Waste in São Paulo state” managed by Fundo Brasileiro para a Biodiversidade - FUNBIO was prepared on a cash basis, as mentioned above.
2. Revenues: these are recognized on the date when the funds are transferred by the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil to FUNBIO and become available in FUNBIO checking account.
3. Exchange rate: The Project's financial records are maintained in thousands of Brazilian reais, i.e. in Brazilian currency. As at December 31, 2019, the real against the Norwegian Krona was quoted at R\$ 0.4597 (NOK 1.00). The financial information of the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, was prepared in thousands of Brazilian reais (R\$).

The Project's financial information was authorized for issue by the Funbio' Directors on May 19, 2020.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information on Project “Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil” (Continued)

Period from August 7 to December 31, 2019

(In R\$ thousands, unless otherwise stated)

3. Funds available

As at December 31, 2019, the balances remaining in checking accounts are broken down as follows:

Description	Type	Amount
Banco do Brasil - C/C 25029-5	Checking account	1
Banco do Brasil - W/inv. CDB - 25029-5	Automatic investment	227
Total cash and cash equivalents		228

From August 7 to December 31, 2019, short-term investment yields totaled R\$ 3.

Cash restricted to the project is kept in a specific checking account that is maintained with automatic withdrawals as cash is needed to honor project commitments.

Investments in Bank Deposit Certificates (CDB) comprise bonds that yield the Interbank Deposit Certificate (CDI) variation, which may be redeemed between 90 and 180 days, and pose insignificant risk of reduction in value.

Investments are held with first-tier financial institutions.

4. Transfers of funds - “Plan for Monitoring Marine Waste in São Paulo state”

Through financial support contract BRA-18/0034 dated November 5, 2018, FUNBIO received funds from the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, to implement Project “Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil”.

The funds received were deposited in Account No. 25029-5 (checking account and automatic investment), held with Banco do Brasil.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information on Project “Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil” (Continued)

Period from August 7 to December 31, 2019

(In R\$ thousands, unless otherwise stated)

4. Transfers of funds - “Plan for Monitoring Marine Waste in São Paulo state” (Continued)

By December 31, 2019, financial resources totaling R\$324 were made available by the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil. The contributions are recorded in local currency (Brazilian real), with no foreign exchange differences impacting the Project’s financial information. The table below sets out details of the contributions made in the period:

Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil	Amounts in NOK (thousand)	Foreign exchange	Amounts in R\$ (thousand)	Date of fund inflow in Bank
1 st Contribution - Royal Norwegian Embassy	708	0,4580	324	09/26/2019
Total	708		324	

Independent auditor's report on compliance with the accounting and financial contractual provisions of Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil"

To the Directors and Officers of

Fundo Brasileiro para a Biodiversidade - Funbio

Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil"

Rio de Janeiro - RJ

We have audited the financial information on Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil", managed by Fundo Brasileiro para a Biodiversidade - FUNBIO ("Institution"), funded by the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, for the period from August 7 to December 31, 2019, and we issued our report thereon dated May 19, 2020.

Our audit was focused on checking whether the contractual provisions directly related to accounting and financial matters of Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil" are appropriately complied with.

We conducted our audit in accordance with Brazilian and International Standards on Auditing and the requirements set out in the contract entered into between the Institution and the Norwegian Ministry of Foreign Affairs. These standards require that we plan and conduct the audit in order to obtain reasonable certainty that FUNBIO has complied with the provisions set out in the contract entered into between the Institution and the Norwegian Ministry of Foreign Affairs. 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, 2019, FUNBIO complied with, in all significant respects, the contractual provisions applicable, of an accounting and financial nature, of the contract entered into between the Institution and the Norwegian Ministry of Foreign Affairs.

Rio de Janeiro, May 19, 2020.

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



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

Independent auditor's report on the internal control structure of Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil"

To the Directors and Officers of

Fundo Brasileiro para a Biodiversidade - Funbio

Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil"

Rio de Janeiro - RJ

This report is complementary to our report on financial information Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil".

The management of Fundo Brasileiro para a Biodiversidade - FUNBIO, managing Institution of Project "Building knowledge to combat marine waste: plan for monitoring and evaluation of marine waste in São Paulo state, Brazil", is responsible for maintaining an internal control structure sufficient to mitigate the risks of material misstatements in the financial information and protecting the assets under custody of the Project, 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.

When planning and performing our audit of the Project's financial information for the period from August 7 to December 31, 2019, we gained understanding of the internal control structure and assessed the control risk to determine the audit procedures, with a view to expressing an opinion on the Project's financial information, rather than issuing an opinion on the effectiveness of the internal control structure.



Our audit of the Project for the period from August 7 to December 31, 2019 revealed no significant deficiencies in the design or operation of internal controls that, in our opinion, could significantly affect FUNBIO's ability to record, process, summarize and report financial information consistently with management representations in the statements of funds received, disbursements made, and investments accumulated.

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 Project's financial information, and that could not be timely detected by FUNBIO employees in the ordinary 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 19, 2020.

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

A handwritten signature in blue ink, which appears to read 'W. Neumayer', is placed above the printed name.

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