

## **Financial Information**

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

July 1, 2020 to June 30, 2021

with Independent Auditor's Report on the Financial Information of  
Project "REDD Early Movers do Mato Grosso (REM)"

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

### **Financial information of Project “REDD Early Movers do Mato Grosso (REM)”**

July 1, 2020 to June 30, 2021

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## **Independent auditor's report on the financial information of Project "REDD Early Movers do Mato Grosso (REM)"**

The Management of  
**Fundo Brasileiro para a Biodiversidade - FUNBIO**  
Project "REDD Early Movers do Mato Grosso (REM)"  
Rio de Janeiro - RJ

### **Opinion**

We have audited the financial information of Project REDD Early Movers do Mato Grosso ("Project REM") - Ex-post remuneration on results of reductions in greenhouse gas emissions from deforestation, managed by Fundo Brasileiro para a Biodiversidade – FUNBIO (the "Institution"), financed with funds from the financial contribution contract and the KfW (BMZ 2016 69 084) and implementation with co-financing from the Department of Business, Energy and Industrial Strategy (BEIS) (BMZ 3020 00 180), in the period from July 1, 2020 to June 30, 2021, and notes to the financial information, including a summary of significant accounting policies.

In our opinion, the financial information referred to above presents fairly, in all material respects, the receipts and disbursements for the period from July 1, 2020 to June 30, 2021, in accordance with the contract entered into by and between the parties, and the cash receipts and disbursements basis of accounting described in Note 2.

### **Basis for opinion**

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

### **Emphasis of a matter – Basis of preparation and presentation of the financial information**

We draw attention to Note 2 to the Project's financial information, which describes the basis of preparation and presentation of this financial information, prepared to assist FUNBIO in reporting the funds received and used in the abovementioned project. Consequently, the Projects' financial information may not be appropriate for other purposes. 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 cash receipts and disbursements method of accounting described in Note 2, which includes determining that the 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 financial information that is free of material misstatement, whether due to fraud or error.

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

## **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 of 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 the Brazilian and International Standards on Auditing, and the specific audit requirements set out in the clauses of the agreements entered into by and between FUNBIO and KfW (the "Parties"), we exercised professional judgment and maintained professional skepticism throughout the audit. We also:





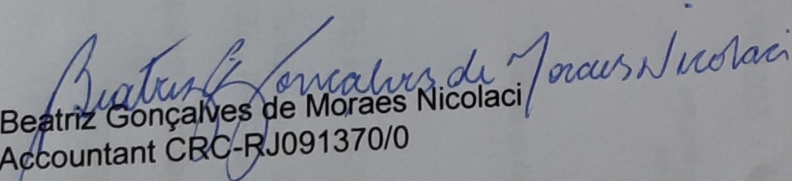
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- Identified and assessed risks of material misstatements of the financial information, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Project REM's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial 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 Project REM to cease to continue as a going concern.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Evaluated the overall presentation, structure and content of the financial information, including the disclosures, and whether it represents the corresponding transactions and events in a manner that achieves fair presentation.

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

Rio de Janeiro, August 11, 2021.

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

  
Beatriz Gonçalves de Moraes Nicolaci  
Accountant CRC-RJ091370/0

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information of Project "REDD Early Movers do Mato Grosso (REM)" July 1, 2020 to June 30, 2021 (In thousands of reais, unless otherwise stated)

Changes in the funds of Project REDD Early Movers of Mato Grosso (REM) for the period from July 1, 2020 to June 30, 2021 are as follows:

|   | 06/30/2021     | 06/30/2020     |
|---|----------------|----------------|
| Project balance at beginning of period  | 151,810        | 62,149         |
| Cash inflows                            | -              | 103,670        |
| Income                                  | 2,802          | 2,842          |
| Bank fees                               | (18)           | (406)          |
| Execution                               | (51,659)       | (16,445)       |
| Provisioning under execution            | (81)           | -              |
| <b>Project balance at end of period</b> | <b>102,854</b> | <b>151,810</b> |

In the period from July 1, 2020 to June 30, 2021, the amounts executed, by subprogram, are broken down as follows:

| Subprograms   | FY 2021       | FY 2020       | Accumulated (*) |
|---|---------------|---------------|-----------------|
| Family farming and traditional peoples and communities of the Amazon, Cerrado (Brazilian Savannah) and Pantanal | 16,071        | 1,026         | 17,097          |
| Indigenous peoples  | 2,723         | 755           | 3,478           |
| Sustainable Production, Innovation and Markets  | 4,727         | 639           | 5,390           |
| Institutional strengthening and structuring public policies   | 28,138        | 14,025        | 42,518          |
| <b>Total</b>  | <b>51,659</b> | <b>16,445</b> | <b>68,482</b>   |

(\*) The accumulated amounts refer to the period from March 29, 2019 to June 30, 2021.

See accompanying notes.

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

Notes to financial information of Project “REDD Early Movers do Mato Grosso (REM)”

July 1, 2020 to June 30, 2021

(In thousands of reais, unless otherwise stated)

### **1. Operations**

Fundo Brasileiro Para a Biodiversidade (FUNBIO) is a Brazilian private not-for-profit institution that operates in partnership with the government and business sectors as well as the civil society so that strategic and financial resources are earmarked for effective biodiversity conservation initiatives. The Entity’s head office is located at Rua Voluntários da Pátria, nº 286, 5<sup>th</sup> and 6<sup>th</sup> floors, Botafogo, Rio de Janeiro - RJ, with establishment in the city of Brasília, Federal District, at SHN Quadra 2, Bloco F, Executive Office Tower, suite 1323 to 1326, Asa Norte.

The main activities include financial management of projects and funds, design of financial mechanisms and studies of new sources of funds for conservation, as well as procurement and engagement of goods and services. Since the beginning of its activities in 1996, FUNBIO has supported 306 programs and projects, benefiting 255 institutions across the country and 350 Protected Areas. Funbio is accredited as an implementing agency for GEF - Global Environment Facility and for GCF - Green Climate Fund.

The REDD Early Movers (REM) program is an initiative by the German and UK governments that rewards countries or states that contribute to mitigating climate change through forest conservation, combined with a positive agenda that promotes social equality. Launched in 2012, during Rio+20, REM included among its beneficiaries, in 2017, the state of Mato Grosso, having created the REDD Early Movers project for the state of Mato Grosso - REM-MT in that year. The choice was made due to the fact that the state reduced deforestation by 90% between 2004 and 2014.

The project is expected to run for four years and disbursements are subject to maintaining deforestation below 1,788 km<sup>2</sup>/year. The funds come from donations from the KfW Development Bank (Germany) whose contract number is 2016 069 084, totaling 17 million euros and from the Department of Business, Energy and Industrial Strategy (BEIS - England), with a contract entered into through KfW under number 3020 00 180 for a total of 23.9 million GBP.

FUNBIO acts as a financial manager and the Environment Department of the State of Mato Grosso (SEMA) as a technical manager, managing and formally documenting subprogram execution demands relating to the REM MT.

The Institutional Strengthening and Structuring Public Policies subprogram aims to consolidate the public policies that are being implemented in the state to ensure that deforestation and environmental degradation are avoided. It also aims to ensure that the state of Mato Grosso (MT) is prepared to apply the legislation through effective monitoring and inspection.



## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “REDD Early Movers do Mato Grosso (REM)” (Continued)  
July 1, 2020 to June 30, 2021

(In thousands of reais, unless otherwise stated)

### 1. Operations (Continued)

The Sustainable Production, Innovation and Markets subprogram is intended for medium producers who own properties of up to 15 fiscal modules focused on the production of commodities in the state (livestock, soybean, corn, among others). The objective is to guarantee the conservation of the current protected areas (conservation areas), to implement sustainable production models and to improve timber forest management.

The Family Farming and Traditional Peoples and Communities subprogram supports, among others, small farmers, rubber tappers, extractivist farmers who provide environmental services to reduce CO2 emissions and maintain carbon stock, such as reforestation and sustainable use of natural resources. Through the development of traditional product value chains, training in agricultural techniques, agribusiness, agricultural cooperatives, recovery of degraded areas and a 20% increase in production volume (sales), the initiative should directly and indirectly benefit around 50 thousand families.

Another REM-MT subprogram is Indigenous Territories, which is aimed at strengthening and empowering indigenous peoples, fostering their leadership. The subprogram supports and rewards the 43 different ethnic groups that, historically, have been protecting natural resources and the forest of around 14 million hectares in the state.

During the period covered by this report, from July 1, 2020 to June 30, 2021, several activities scheduled under the work plan were carried out in order to achieve the goals described in the Logical Matrix of the REM MT Program:

- Various purchases of goods, consulting and other services;
- Renewal of the contract for the system for monitoring vegetation cover by satellite images;
- Amendment to the car rental contract for the Environment Department of the State of Mato Grosso (SEMA), the Public Prosecutor's Office of the State of Mato Grosso and EMPAER (research and assistance agency for farmers);
- Support projects approved under the Call No. 03/2020, within the scope of the Family Farming and Traditional Peoples and Communities subprogram, resulting in the support to 23 projects amounting to more than R\$ 32 million;
- Support projects approved under the Call No. 08/2020, within the scope of the Sustainable Production, Innovation and Markets subprogram, resulting in six projects amounting to more than R\$ 8 million;
- Engagement of a company to outsource labor for the administrative team of the Coordination Group of REM MT Program;
- Training on operational procedures of institutions with projects supported under Calls No. 03 and 08/2020;



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

Notes to financial information of Project “REDD Early Movers do Mato Grosso (REM)” (Continued)

July 1, 2020 to June 30, 2021

(In thousands of reais, unless otherwise stated)

### **1. Operations (Continued)**

- Completion of the planning cycle of the 2<sup>nd</sup> Investment Plan (PDI);
- Preparation and approval of the 3<sup>rd</sup> PDI;
- Support for the preparation and implementation of the FEPOIMT Emergency Plan to combat the COVID-19 pandemic;
- Engagement of institutions to implement the actions provided for in the Emergency Plan;
- Training of EMPAER technicians;
- Training of the outsourced team on the REM MT Program rules and FUNBIO procedures;
- Preparation of worksheets of the tool Monitoring, Evaluating and Learning (MEL);
- The support contract was amended in order to strengthen the Federation of Indigenous Peoples of Mato Grosso (FEPOIMT), in partnership with Instituto Centro de Vida (ICV), thus allowing the FEPOIMT team to monitor the actions provided for in the Emergency Plan;

#### COVID-19 impacts

At the beginning of January 2020, the outbreak of a new virus called COVID-19 was identified. The Brazilian Ministry of Health reported the first case registered in the country on February 25, 2020, in the city of São Paulo. Due to the speed of contamination and the growing number of infected people, on March 11, 2020, COVID-19 was classified by the World Health Organization (WHO) as a pandemic.

To slow down the contamination by COVID-19, various countries have imposed a series of movement restrictions, such as a quarantine and closing of borders with other countries, situations without precedent in the recent world history. The Brazilian government, together with the states and municipalities, has adopted a series of measures, such as decrees and provisional executive orders to minimize the risk of contamination of the population and the economic impact on the various sectors, and to avoid the collapse of the Brazilian health system.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “REDD Early Movers do Mato Grosso (REM)” (Continued)  
July 1, 2020 to June 30, 2021

(In thousands of reais, unless otherwise stated)

### 1. Operations (Continued)

#### COVID-19 impacts (Continued)

In 2019, Funbio invested significantly in technology updates, placing systems in the cloud (Azzure) and also expanding the project management and managerial information system through BI (Business Intelligence). A new procurement platform was implemented, accelerating the response to the demands of the Institution’s partners. For the finance function, the existing processes were reviewed and adapted to be run remotely, bringing agility and security to the treatment of the Institution’s assets. These innovations had an impact on this period of threats posed by COVID-19. In less than 1 week, the Institution was able to continue operating through remote work, not affecting its ability to deliver. These investments were reflected throughout 2020, enabling the fulfillment of the Institution’s mission and the smooth running of the projects, and ensuring the employees’ compliance with health recommendations.

The COVID-19 pandemic scenario lasted throughout 2020 and 2021. Although the vaccination is progressing, it is still in its early stages in Brazil, especially in the State of Mato Grosso. This fact imposes adaptations and uncertainties in the routines of the activities provided for in the Work Plan. Overall, the activities that suffered major impacts were those related to the Indigenous Territories subprogram, due to Administrative Ruling No. 419 of March 17, 2020 issued by the Brazilian National Indian Foundation (FUNAI) that prevents the movement of people on their land, and to the Family Farming & Traditional Peoples and Communities subprogram, due to the deployment of technicians to those properties. However, there is no impact directly related to the pandemic on the financial implementation of the Program, since the monthly implementation figures follow the same pattern of peaks associated with large contracts.

Furthermore, in 2020, Funbio informs that there was no rescheduling of contracts with suppliers, postponement of the beginning of new projects or any cancelation of funds from donors.

Throughout the audit work, the Institution continued to operate at a regular and continuous pace. All Funbio’s teams of employees adopted remote work, and the Institution provided materials, systems and logistics resources so that its routine would not suffer significant changes. This procedure was possible due to the investments made in 2019, such as uploading servers and applications in the cloud (Azure - cloud computing); and in prior years, such as HR portal, Business Intelligence - Power BI; Project Online, improvements in Brain 2 (Cérebro 2) and in the procurement platform (Paradigm), in addition to the integration of the per diem allowances, travel and ticket system. Face-to-face meetings are limited to one day a week with a reduced number of employees (2 to 4) for reception and mailing activities and administrative infrastructure. Thus, Funbio ensures the safety of its teams while facing this period of social distancing without affecting stakeholders and beneficiaries of its projects.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “REDD Early Movers do Mato Grosso (REM)” (Continued)  
July 1, 2020 to June 30, 2021

(In thousands of reais, unless otherwise stated)

### 2. Significant accounting practices

#### Basis of preparation and general information

The financial information on Project REDD Early Movers (REM) has been prepared on the cash receipts and disbursements basis of accounting, whereby revenues are recorded upon receipt of funds (resources) and expenses are recognized when they effectively represent expenses paid in 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 accounts. The financial information on REDD Early Movers (REM), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO has been prepared on a cash basis, which consists in accounting for revenues only when the amounts are effectively received and for costs and expenses only when the amounts are effectively paid in legal tender.
- (2) *Revenues*: these are recognized on the date the funds are transferred by KfW to FUNBIO and become available in FUNBIO’s checking account.
- (3) *Exchange rate*: the Project’s financial records are in Brazilian reais, i.e. in Brazilian currency. At June 30, 2021, the Brazilian real exchange rate against the Euro was R\$5.93. The financial information on REDD Early Movers (REM) has been prepared in thousands of Reais (R\$).

The Project’s financial information was approved for issue by Funbio’s Executive Board on August 11, 2021.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “REDD Early Movers do Mato Grosso (REM)” (Continued)  
July 1, 2020 to June 30, 2021

(In thousands of reais, unless otherwise stated)

### 3. Funds available

From July 1, 2020 to June 30, 2021, the balances in checking accounts are broken down as follows:

| Description                               | Type                 | 06/30/2021     | 06/30/2020     |
|---|----------------------|----------------|----------------|
| Banco do Brasil - C/C 24486-4             | Checking account     | 2              | 4              |
| Banco do Brasil – CDB invest. 24486-4     | Automatic investment | -              | 6,906          |
| Banco do Brasil – Investment Fund 24486-4 | Automatic investment | 102,795        | 144,900        |
| <b>Total cash and cash equivalents</b>    |                      | <b>102,797</b> | <b>151,810</b> |

In the period from July 1, 2020 to June 30, 2021, short-term investment income totaled R\$2,807 (July 1, 2019 to June 30, 2020 - R\$2,842).

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

Notes to financial information of Project “REDD Early Movers do Mato Grosso (REM)” (Continued)  
July 1, 2020 to June 30, 2021

(In thousands of reais, unless otherwise stated)

### **3. Funds available (Continued)**

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 remunerated at 95.95% of the Interbank Deposit Certificate (CDI) variation, which may be redeemed from 90 to 180 days, and pose insignificant risk of reduction in value.

Financial investments in investment funds are made through the BB Renda Fixa LP Corporativo fund. Its portfolio basically consists of repurchase agreements, federal government bonds, time deposits and other securities of financial institutions, private credit securities and Investment Fund Shares 555, with D+1 liquidity.

Investments are held with first-tier financial institutions.

### **4. Transfers of funds - “REM”**

FUNBIO received financial support through the KfW financial contribution contract dated November 14, 2017 and the financial contract for implementation through KfW, with co-financing from the Department of Business, Energy and Industrial Strategy (BEIS) dated December 4, 2017, for the implementation of Project REDD Early Movers in Mato Grosso.

The funds received were allocated to Account No. 24486-4 (checking account and automatic investment), held with Banco do Brasil.

From the beginning of the Project until June 30, 2021, the funds provided by KfW totaled R\$165,771, recorded in Brazilian currency (reais). Foreign exchange differences had no impact on the Project's financial information.

In the twelve-month period ended June 30, 2021, the donor has not provided any funds.

## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “REDD Early Movers do Mato Grosso (REM)” (Continued)  
July 1, 2020 to June 30, 2021

(In thousands of reais, unless otherwise stated)

### 5. Reconciliation of funds available

Reconciliation of excess revenues and costs incurred to amounts available in checking accounts and respective financial investments at July 30, 2021 and 2020 is summarized below:

|  | <b>06/30/2021</b> | <b>06/30/2020</b> |
|--|-------------------|-------------------|
| Breakdown of cash and cash equivalents:        |                   |                   |
| Operating account                              |                   |                   |
| Banco do Brasil - C/C 24486-4                  | <b>2</b>          | 4                 |
| Banco do Brasil – CDB invest. 24486-4          | -                 | 6,906             |
| Banco do Brasil - Fixed income invest. 24486-4 | <b>102,795</b>    | 144,900           |
| <b>Project bank balance</b>                    | <b>102,797</b>    | 151,810           |
| <b>Project balance at end of period</b>        | <b>102,854</b>    | 151,810           |
| <b>Divergence (*)</b>                          | <b>57</b>         | -                 |

(\*) The divergence between the bank balance and the project balance comprises amounts to be regularized later, with R\$42 pending billing, R\$6 in undue payment awaiting return, and R\$9 in return from supplier to be made to the project account.



## Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project "REDD Early Movers do Mato Grosso (REM)" (Continued)  
July 1, 2020 to June 30, 2021  
(In thousands of reais, unless otherwise stated)

### 6. Service agreements

From July 1, 2020 to June 30, 2021, service agreements were entered into in Brazilian Real, as follows:

#### Agreements entered into in Reais

| CEDOC<br>Contract<br>No. | Status    | Company  | Project / Allocated to                   | Start date<br>(Original) | End date<br>(Original) | Amount        |
|--------------------------|-----------|--|--|--------------------------|------------------------|---------------|
| 069/2020                 | COMPLETED | Sulsoft Serviços de Proces Dados Ltda                  | REM-MT - SEMA 1 <sup>ST</sup> PDI        | 08/04/2020               | 11/12/2020             | 197           |
| 088/2020                 | COMPLETED | COMPWIRE INFORMATICA LTDA                              | REM-MT - SEMA 1 <sup>ST</sup> PDI        | 10/02/2020               | 02/28/2021             | 1,490         |
| 117/2020                 | IN EFFECT | Instituto Gaea Estudos Ambientais                      | REM-MT - SEMA 2 <sup>ND</sup> PDI        | 12/04/2020               | 09/10/2021             | 349           |
| 056/2020                 | IN EFFECT | Renato Gatto de Moraes - MEI                           | REM-MT - SEMA 1 <sup>ST</sup> PDI        | 07/16/2020               | 11/08/2021             | 68            |
| 064/2020                 | IN EFFECT | GABRIELA CRISTINA SILVA MOREIRA                        | REM-MT - SEMA 2 <sup>ND</sup> PDI        | 07/22/2020               | 12/14/2021             | 56            |
| 091/2020                 | IN EFFECT | José Fragoso da Silva Júnior                           | REM-MT - SEAF Amazon 1 <sup>ST</sup> PDI | 09/23/2020               | 12/21/2021             | 155           |
| 060/2020                 | IN EFFECT | Sérgio Carlos de Paiva (Spekula)                       | REM-MT - SEMA 1 <sup>ST</sup> PDI        | 07/10/2020               | 03/10/2022             | 90            |
| 061/2021                 | IN EFFECT | TECNOMAPAS LTDA  | REM-MT - SEDEC 1 <sup>ST</sup> PDI       | 04/01/2021               | 08/01/2022             | 990           |
| 090/2021                 | IN EFFECT | Antonio Claudio Lisboa Horta Barbosa                   | REM-MT - SEMA 2 <sup>ND</sup> PDI        | 06/14/2021               | 08/14/2022             | 144           |
| 128/2020                 | IN EFFECT | Dezoito Digital Tecnologia Ltda                        | REM-MT - SEMA 1 <sup>ST</sup> PDI        | 12/17/2020               | 08/29/2022             | 64            |
| 061/2020                 | IN EFFECT | Sebastião de Souza Silva (Savana Consultoria - Eireli) | REM-MT - SEMA 1 <sup>ST</sup> PDI        | 07/16/2020               | 09/14/2022             | 78            |
| 097/2020                 | IN EFFECT | PROVAC TERCEIRIZAÇÃO DE MÃO DE OBRA LTDA               | REM-MT - SEMA 1 <sup>ST</sup> PDI        | 11/03/2020               | 12/03/2022             | 5,350         |
| 079/2020                 | IN EFFECT | RAMTEC SERVICOS DE INFORMATICA LTDA.                   | REM-MT - SEMA 1 <sup>ST</sup> PDI        | 09/09/2020               | 12/29/2022             | 1,792         |
|                          |           |  | REM-MT - SEMA 2 <sup>ND</sup> PDI        |                          |                        | <b>10,823</b> |

## **Independent Auditors' Assurance Report on the description, design and effectiveness of operational controls applied in project “REDD Early Movers (REM)”**

The Management of  
**Fundo Brasileiro para a Biodiversidade - FUNBIO**  
Project “REDD Early Movers (REM)”  
Rio de Janeiro - RJ

### **Scope**

We have been engaged to report on the description prepared by Fundo Brasileiro para a Biodiversidade – FUNBIO (the “Institution”) of its internal control system for processing receipts and disbursements, identified in the financial contribution contract of November 14, 2017 between KFW, Frankfurt am Main (“KFW”) – BMZ N.: 2016 69 084 and 3020 00 180 – Article 6, during the period from July 1, 2020 to June 30, 2021, in connection with Project REDD Early Movers do Mato Grosso (“Project REM”) – ex-post remuneration.

### **Responsibilities of management and those charged with governance**

Fundo Brasileiro para a Biodiversidade - FUNBIO is responsible for: (i) preparing the description and accompanying assertion on internal controls (identified in the financial contribution contract of November 14, 2017 between KFW, Frankfurt am Main (“KFW”) – BMZ N.: 2016 69 084 and 3020 00 180 - Article 6), including the completeness, accuracy and method of presentation of the description and assertion; (ii) providing the services covered by the description; (iii) stating the control objectives; and (iv) designing, implementing and effectively operating controls to achieve the stated control objectives.

### **Auditor’s responsibility**

Our responsibility is to express an opinion on the Institution’s description and on the design and operation of controls related to the control objectives stated in that description, based on our procedures. We conducted our engagement in accordance with NBC TO 3402 – Assurance Reports on Controls at a Service Organization, issued by Brazil’s National Association of State Boards of Accountancy (“CFC”). That standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the description is fairly presented and the controls are suitably designed and operating effectively.

An assurance engagement to report on the description, design and operating effectiveness of controls at a service organization involves performing procedures to obtain evidence about the disclosures in the service organization's description of its system, and the design and operating effectiveness of controls.

The procedures selected depend on the auditor's judgment, including the assessment of the risks that the description is not fairly presented, and that controls are not suitably designed or operating effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to provide reasonable assurance that the control objectives stated in the description were achieved. An assurance engagement of this type also includes evaluating the overall presentation of the description, the suitability of the objectives stated therein, and the suitability of the criteria specified by the service organization and described in the financial contribution contract of November 14, 2017 between KFW, Frankfurt am Main ("KFW") – BMZ N.: 2016 69 084 and 3020 00 180 – Article 6.

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

### **Limitations of controls at a service organization**

Fundo Brasileiro para a Biodiversidade - FUNBIO's description is prepared to meet the common needs of a broad range of customers and their auditors and may not, therefore, include every aspect of the system that each individual customer may consider important in its own particular environment. Also, because of their nature, controls at a service organization may not prevent or detect all errors or omissions in processing or reporting transactions. Also, the projection of any evaluation of effectiveness to future periods is subject to the risk that controls at a service organization may become inadequate or fail.

### **Opinion**

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion are those described in the financial contribution contract of November 14, 2017 between KFW, Frankfurt am Main ("KFW") – BMZ N.: 2016 69 084 and 3020 00 180 - Article 6. In our opinion, in all material respects:

- (a) the description fairly presents the receipt and disbursement controls as designed and implemented throughout the period from July 1, 2020 to June 30, 2021;
- (b) the controls related to the control objectives stated in the description were suitably designed throughout the period from July 1, 2020 to June 30, 2021; and
- (c) the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period from July 1, 2020 to June 30, 2021.

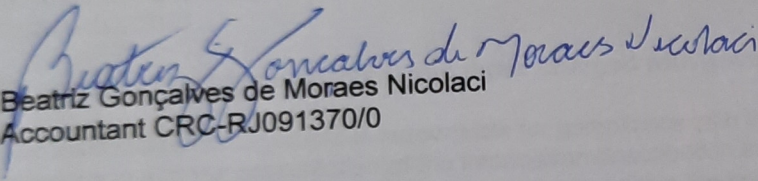


### Intended users and purpose

This report and the description of tests of controls on the financial contribution contract of November 14, 2017 between KFW, Frankfurt am Main ("KFW") – BMZ N.: 2016 69 084 and 3020 00 180 - Article 6 are intended only for Management of Fundo Brasileiro para a Biodiversidade, donors KFW, Frankfurt am Main ("KFW") of Project REM, and their auditors, who have a sufficient understanding to consider it, along with other information including information about controls operated by donors themselves, when assessing the risks of material misstatements of donor's financial statements.

Rio de Janeiro, August 11, 2021.

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

  
Beatriz Gonçalves de Moraes Nicolaci  
Accountant CRC-RJ091370/0



## **Independent auditor's limited assurance report on compliance with the accounting and financial contractual provisions of Project "REDD Early Movers (REM)"**

The Management of  
**Fundo Brasileiro para a Biodiversidade - FUNBIO**  
Project "REDD Early Movers (REM)"  
Rio de Janeiro - RJ

### **Introduction**

We have been engaged by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution") to present our limited assurance report on compliance with the accounting and financial contractual provisions of the contract that governs Project REDD Early Movers do Mato Grosso ("Project REM") - Ex-post remuneration, as stated in the Financial Contribution Contract of November 14, 2017 between KFW, Frankfurt am Main ("KFW") - BMZ N.: 2016 69 084 and 3020 00 180 - Article 6, identified in Annex I to that document, for the period from July 1, 2020 to June 30, 2021.

### **Responsibilities of management and those charged with governance**

The Institution's management is responsible for compliance with the contractual provisions, as well as for the preparation and fair presentation of the information described in the introductory paragraph, and for such internal control as management determines is necessary to enable the preparation of this information that are free of material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the information contained in the accounting and financial contractual provisions of the contract governing Project REM, as described in the introductory paragraph, based on the limited assurance work conducted in accordance with the Communication (CT) No. 07/2012, approved by Brazil's National Association of State Boards of Accountancy ("CFC") and prepared based on NBC TO 3000 (Assurance Engagements Other than Audits or Reviews), issued by the CFC, which is equivalent to the international standard ISAE 3000 - International Standard on Assurance Engagements, issued by the International Auditing and Assurance Standards Board (IASB), applicable to non-historical information. Those standards require that we comply with ethical requirements, including independence requirements, and perform our procedures to obtain limited assurance about whether the information contained in the introductory paragraph as a whole is free of material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists of making inquiries, primarily of the Institution's management and other professionals involved in the preparation of the information contained in the introductory paragraph, and applying analytical procedures to obtain evidence that enable us to reach a limited assurance conclusion on the information as a whole. A limited assurance engagement also requires additional procedures when matters come to our attention that causes us to believe that the information contained in the introductory paragraph as a whole may be materially misstated.

### **Procedures applied**

The limited assurance procedures were based on our understanding of the aspects relating to the compilation and presentation of the information contained in the introductory paragraph and other circumstances of the engagement and our consideration of areas where material misstatements could exist. The procedures included:

- (a) Planning the work, considering the relevance, coherence, and volume of quantitative and qualitative information and the operational systems and internal controls used for the process of compiling information for the period from July 1, 2020 to June 30, 2021;
- (b) Understanding the calculation method and the procedures used for the process of compiling the information contained in Annex I through inquiries of the managers responsible for the preparation of the information for the period from July 1, 2020 to June 30, 2021;
- (c) Application of analytical procedures on quantitative information and inquiries about qualitative information and its correlation with the indicators disclosed in the information contained in the introductory paragraph;
- (d) Where applicable, mathematical tests and verification on a sampling basis of certain evidence supporting the data used for the accounting basis, for the period from July 1, 2020 to June 30, 2021; and
- (e) Recalculation and comparison of financial data with the financial information and/or accounting records of Project REM for the period from July 1, 2020 to June 30, 2021.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our limited conclusion.

### **Scope and limitations**

The procedures applied in a limited assurance engagement are substantially less in extent than those applied in an assurance engagement intended to issue an opinion on the information contained in the introductory paragraph. Consequently, they do not enable us to obtain assurance that we would become aware of all matters that might be identified in an assurance engagement intended to express an opinion. Had we performed procedures with the objective of issuing an opinion, we could have identified other matters and misstatements that may exist in the information contained in the introductory paragraph. Accordingly, we do not express an opinion on that information.

Non-financial data are subject to more limitations than financial data, given the nature and diversity of the methods used to determine, calculate or estimate such data. Qualitative interpretations on the materiality, significance and accuracy of the data are subject to individual assumptions and judgments. Additionally, we did not perform any procedures on the data reported for prior periods, nor in relation to future projections and goals.

### **Conclusion**

Based on the procedures performed and described in this report, nothing has come to our attention that causes us to believe that the Institution has not adequately complied with the accounting and financial contractual provisions of Project REM, in all material respects, in accordance with the contractual clauses and conditions provided for in the referred to Project REM contracts contained in the introductory paragraph.

Rio de Janeiro, August 11, 2021.





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Accountant CRC-RJ091370/O

## Annex I

### Article 6

#### The Project

6.1 – The beneficiary shall

- a) prepare, execute, operate, and maintain the Project, subject to the appropriate financial and technical principles, in accordance with the applicable environmental and social standards and, in essence, to the design of the Project agreed upon between the beneficiary, SEMA and KfW;
- b) apply the funds arising from the payment for results following the benefit allocation scheme detailed in a separate agreement;
- c) engage qualified and independent consultants to prepare and supervise the implementation of the Project;
- d) engage suppliers of goods and services and be financed by the financial contribution following the benefit allocation scheme, in accordance with the rules detailed in a separate agreement;
- e) ensure that the Financial Contribution disbursed under this Agreement be segregated from the Beneficiary's own funds and adequately accounted for;
- f) ensure full financing of the Project and prove to KfW, if requested, coverage of costs not financed by such financial contribution;
- g) keep bookkeeping and files, or arrange them to be appropriately kept, that clearly identify all costs of goods and services relating to the Project, as well as the goods and services financed by such financial contribution;
- h) allow those in charge of KfW and BEIS (and/or other representatives of the Government of the United Kingdom of Great Britain and Northern Ireland), at any time, to verify such bookkeeping and files and all other elements that are relevant to the implementation and operation of the Project, as well as to supervise the Project and all related facilities;
- (i) provide all information and reports requested by KfW or BEIS (and/or other representatives of the Government of the United Kingdom of Great Britain and Northern Ireland) on the Project and its subsequent development;
- j) report to KfW and, by means of KfW, BEIS as well, immediately and *motu proprio*, about all circumstances that prevent or pose serious risks to the implementation, operation or purpose of the Project;
- k) send to KfW and, by means of KfW, to BEIS as well, before disbursement of each installment referred to in article 2.2:

(i) a letter from the Ministry of the Environment of the Federative Republic of Brazil certifying the inclusion in REDD+ Info Hub Brazil of duly verified RE ("RE Validation") to be compensated by KfW, as well as the additional units to be registered and deactivated without compensation due to the protection system against the risks of flight and non-permanence established in a separate agreement; and

(ii) an investment plan ("PDI"), in accordance with the benefit allocation strategy.

6.2 The beneficiary, SEMA and KfW shall establish the details of Article 6.1 in a separate agreement.