

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

July 1, 2020 to October 31, 2021
with Independent Auditor's Report on the Financial Information of
Project "COPAIBAS - Community, Protected Areas and Indigenous
Peoples Project in the Brazilian Amazon and Cerrado Savannah" -
Agreement between FUNBIO and the Norwegian Ministry of
Foreign Affairs (MFA)

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021

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A free translation from Portuguese into English of Independent Auditor's Report on financial information prepared in Brazilian currency

Independent auditor's report on the financial information of Project "COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah"

The Management of

Fundo Brasileiro para a Biodiversidade - FUNBIO

Project "COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah"

Rio de Janeiro - RJ

Opinion

We have audited the financial information of Project COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah ("Project Copaibas" or "Project"), managed by Fundo Brasileiro para a Biodiversidade – FUNBIO (the "Institution"), financed with funds from the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, in the period from July 1, 2020 to October 31, 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 October 31, 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 3.

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 3 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 3, 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 Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to end the Project, or has no realistic alternative but to do so.

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

As described in Note 3, the financial information was prepared considering payments and receipts as basis of accounting. Under this basis of accounting, transactions and facts are only recognized when resources (including fund equivalents) are received or paid by the Project and not when they result, accrue or originate from rights or obligations, even if a movement of funds (cash) has not taken place.

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 the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil (the "Parties"), we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- 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.
- Evaluated the adequacy of the accounting policies used (described in Note 3) and the respective disclosures made by management.
- 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 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 Project Copaibas 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, December 10, 2021.

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

A handwritten signature in blue ink that reads 'Beatriz Gonçalves de Moraes Nicolaci'.

Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC-RJ091370/0

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021 (In thousands of reais, unless otherwise stated)

Changes in the funds of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah” for the period from July 1, 2020 to October 31, 2021 are as follows:

Project balance at beginning of period (07/01/2020)	-
Cash inflows	9,450
Income	114
Bank fees	(2)
Execution	(5,626)
Travel advance to prove	(2)
Project balance at end of period	3,934

In the period from July 1, 2020 to October 31, 2021, the amounts made available and executed are as follows:

“COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”	Date of receipt of the funds in the bank	Funds made available			Funds executed up to October 31, 2021
		Amounts in NOK (thousands)	Exchange rate (*)	Amounts in R\$ (thousands)	Amounts in R\$ (thousands)
1 st Contribution - Royal Norwegian Embassy	07/10/2020	9,036	1.8034	5,011	5,011
2 nd Contribution - Royal Norwegian Embassy	08/16/2021	7,673	1.7285	4,439	615
Total		16,709		9,450	5,626

(*) The rate considered for the funds made available was obtained by dividing the translated amount disbursed in Norwegian krone (NOK) by the amount received in Brazilian reais (R\$).

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 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, 5th and 6th 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.

Program COPAIBAS, Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah, is carried out with funds from the Norwegian Embassy in Brazil. Headquartered in Brasília, its mission is to improve and promote relations between Norway and Brazil, in accordance with the Norwegian Government’s strategy for Brazil and the annual work plans. In addition to the planned activities, such as consular services and visas, it establishes cooperation in areas such as environmental protection and support for indigenous peoples and for cultural development and promotion.

The objective of Copaíbas is to reduce the rate of deforestation in the Brazilian Amazon and Cerrado Savannah. For such, four goals related to the main objective were established:

- I. Strengthen the protected areas system;
- II. Strengthen territorial management of indigenous peoples;
- III. Improve publicly available information on the importance of Protected Areas for mitigation of climate change and conservation of biodiversity;
- IV. Improve the economic efficiency of value chains and local production arrangements for socio-biodiversity products.

In the Program structure, each of these goals is represented by a component, with its own resources, approaches and activities.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

In 2020, important project milestones were achieved, with emphasis on the contract signed between Funbio and the MFA, on June 5th. The following month, on July 5th, the actions for the year involving preparation of Copaíbas officially started, known as the Inception Phase (IP). On July 10, the MFA made the first disbursement in the amount of R\$5,011 and, on August 16, 2021, the second disbursement of R\$4,439 was made.

In addition, between the signature date and October 2021, the following activities also took place:

- Structuring of the project team, with allocation of employees and engagement of a manager for Copaíbas;
- Configuration of the Funbio systems for project start-up;
- Organization of five governance levels for the Program, with selection of the relevant players and holding of meetings with all levels;
- Meetings with public entities that are partners in the Program, with emphasis on the Environment Offices of the states of Goiás, Maranhão, Mato Grosso and Minas Gerais, identification of state Protected Areas that may be supported by Copaíbas, definition of the consolidation goals of the Protected Areas that receive support, and preparation of the Operational Plans of these Protected Areas for the first biennium of the Program;
- Preparation of Program documents, with highlight to the Standard Operating Manual (MOP);
- Engagement of consultants for studies that supported the definition of implementation strategies for the five years of the Program;
- Definition of strategies to achieve the four components mentioned above;
- Application of a methodology for identification of safeguards that can be triggered by social and environmental projects. With the support of experts, ten areas were covered in this process, which will support the development of the Copaíbas safeguard plan;
- Preparation of the Gender Action Plan for the Program, which included a workshop on the matter for Copaíbas' management-level employees;
- Review of the Theory of Change and the Program's performance matrix; and
- Review of the budget for the Program inception phase.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

Significant risks and opportunities identified for FUNBIO at the start of the project

- Risks: Execution in disagreement with the deadlines established due to operational difficulties brought by the COVID-19 pandemic.
- Opportunities: Strengthening of Funbio in areas such as management of Indigenous Lands, value chains and local production arrangements for social-biodiversity products, and consolidation with new partners.

Results achieved in 2020

- Configuration of the Funbio systems for use by the Copaíbas users;
- Establishment of contacts with various key players, such as the four Environmental State Offices and members of the Copaíbas governance levels;

Results achieved from January 1, 2021 to October 31, 2021

- Performance of several studies necessary to define the Program's implementation strategies;
- Selection of Protected Areas to be supported by Component I of Copaíbas; Articulation with managers to identify the needs of Protected Areas and to define the budget for each Area for the next five years;
- Formation of the Program Committee and of Technical Committees of the four Program components;
- Review of the Theory of Change, of the performance matrix and of the inception phase budget.

COVID-19 impacts

The COVID-19 pandemic affected the implementation of the Copaíbas Program. During preparation of the proposal, various face-to-face interactions were programmed, such as meetings and training sessions with different Program participants. These included consultations with the indigenous peoples of the Amazon and the Cerrado Savannah, a vital step for establishment of any initiative with these groups.

Accordingly, it was necessary to review the demand for certain initiatives and carry out others in an alternative manner. The substitution of in-person events for virtual meetings was one of the strategies adopted. For routine meetings this substitution was satisfactory. For other interactions, however, this solution proved to be insufficient or even unfeasible. This led to delays in the Program's original schedule, and alternative strategies had to be adopted in certain situations.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

COVID-19 impacts (Continued)

The mentioned delays were partially mitigated. Considering the impossibility of mitigating all the delays, an agreement was entered into with the donor to postpone the Inception Phase for four months, in order to complete the steps to enable the start of the regular project execution.

In 2019, Funbio invested significantly in technology updates, placing systems in the cloud (Azure) 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 "COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah"

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

2. Service agreements

The service agreements with project resources, signed in the period of this report, are as follows:

- Contract nº 056/2021 - Leonardo Geluda
- Contract nº 057/2021 - Cassio Noronha Ingles de Sousa
- Contract nº 062/2021 - Osvaldo Henrigue Nogueira Júnior
- Contract nº 054/2021 - Rodica Weitzman
- Contract nº 074/2021 - Antonio Paulo Reginato
- Contract nº 077/2021 - Ubirajara de Oliveira
- Contract nº 075/2021 - Guilherme Dias Felitti (Novelo)
- Contract nº 087/2021 - Instituto Ekos Brasil
- Contract nº 122/2021 - Eugênia Kelly Luciano Batista
- Contract nº 104/2021 - Larissa Schmidt
- Contract nº 107/2021 - Daniel Russell Gross

3. Significant accounting practices

Basis of preparation and general information

The financial information on Project COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah 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.
- (2) *Revenues*: these are recognized on the date 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's checking account.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

3. Significant accounting practices (Continued)

- (3) *Exchange rate:* the Project’s financial records are in Brazilian reais, i.e. in Brazilian currency. At October 31, 2021, the Brazilian real exchange rate against the Norwegian krone was R\$0.6671. The rates considered in the financial information, however, result from translation of the total amount disbursed in NOK in relation to the amount received in Brazilian reais (R\$). The financial information on COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah has been prepared in thousands of Reais (R\$).

The Project’s financial information was approved for issue by Funbio’s Executive Board on December 10, 2021.

4. Funds available

From July 1, 2020 to October 31, 2021, the balances in checking accounts are broken down as follows:

Description	Type	Value
Banco do Brasil - C/C – 25589-0	Checking account	8
Banco do Brasil - C/Aplic CDB – 25589-0	Automatic investment	3,926
Total cash and cash equivalents		3,934

In the period from July 1, 2020 to October 31, 2021, short-term investment income totaled R\$112.

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.

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+0 liquidity. Investments are held with first-tier financial institutions.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

5. Transfers of funds - “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

FUNBIO received financial support through contract BRA-18/0034 of the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, dated August 7, 2019 for the implementation of COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah.

The funds received were allocated to Account No. 25589-0 (checking account and automatic investment), held with Banco do Brasil.

From the beginning of the Project until October 31, 2021, the funds provided by the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, totaled R\$9,450, recorded in Brazilian currency (reais). Foreign exchange differences had no impact on the Project’s financial information.

The contributions made in the period are detailed in the table below:

“COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”	Amount in NOK (thousands)	Exchange rate	Amounts in R\$ (thousands)	Date of receipt of the funds in the bank
1 st Contribution – Royal Norwegian Embassy	9,036	1.8034	5,011	07/10/2020
2 nd Contribution - Royal Norwegian Embassy	7,673	1.7285	4,439	08/16/2021
Total	16,709		9,450	

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

Independent auditor’s limited assurance report on compliance with the accounting and financial contractual provisions of Project “Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

The Management of

Fundo Brasileiro para a Biodiversidade - FUNBIO

Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

Rio de Janeiro - RJ

We have audited the financial information of Project COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah, managed by Fundo Brasileiro para a Biodiversidade – FUNBIO (“Institution”), financed with funds from the Norwegian Ministry of Foreign Affairs, represented by the Royal Norwegian Embassy in Brazil, for the period from July 1, 2020 to October 31, 2021, and issued a report thereon, dated December 10, 2021.

Our purpose of our audit was to verify the proper compliance with contractual provisions directly related to accounting and financial matters of the Project "Building knowledge to prevent marine litter: litter monitoring and evaluation plan" of “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”.

We conducted our audit in accordance with international auditing standards and the requirements of the agreement entered into between the Institution and the Norwegian Ministry of Foreign Affairs. These standards require the due planning and performance of the audit so that we can obtain reasonable assurance that FUNBIO has complied with the provisions of the agreement entered into between the Institution and the Norwegian Ministry of Foreign Affairs. The audit includes an examination, on a sampling basis, of the evidence we believe to be appropriate. Therefore, we consider that our audit provides a reasonable basis for our opinion.

In our opinion, from July 1, 2020 to October 31, 2021, FUNBIO complied, in all substantial aspects, with the applicable contractual provisions, of an accounting and financial nature, of the agreement entered into between the Institution and the Norwegian Ministry of Foreign Affairs.

Rio de Janeiro, December 10, 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

Notes to financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

Independent Auditors' Assurance Report on the description, design and effectiveness of operational controls applied in project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

The Management of

Fundo Brasileiro para a Biodiversidade - FUNBIO

Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”

Rio de Janeiro - RJ

This report supplements our report on the financial information of Project “COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah”.

Management of Fundo Brasileiro para Diversidade - FUNBIO, manager of Project COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah (“Project”), is responsible for maintaining an internal control structure sufficient to mitigate the risks of material misstatement of the financial information and protecting the assets under the Project's custody, including the constructed works and other acquired items. In order to fulfill this responsibility, management is required to make judgments and estimates to assess the expected benefits and costs related to the policies and procedures of the internal control system. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are protected against losses arising from unauthorized use or disposals, that transactions are carried out in accordance with management's authorizations and agreement terms and that they are properly recorded to allow the preparation of reliable accounting information. Given the inherent limitations of any internal control system, errors or irregularities may occur and not be detected. In addition, the projections of any assessment of the structure of future periods are subject to the risk that the procedures could prove inadequate due to changes in conditions, or that the effectiveness of the design and operation of the policies and procedures could deteriorate.

In planning and carrying out our audit of the Project's financial information for the period from July 1 to October 31, 2021, we obtained an understanding of the internal control structure and assessed the control risk to design audit procedures for the purpose of expressing an opinion on the Project's financial information, and not on the effectiveness of the internal control structure.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project "COPAIBAS - Community, Protected Areas and Indigenous Peoples Project in the Brazilian Amazon and Cerrado Savannah"

July 1, 2020 to October 31, 2021

(In thousands of reais, unless otherwise stated)

Our audit of the Project for the period from July 1 to October 31, 2021 did not reveal any significant deficiencies in the design or operation of internal controls that could, in our opinion, significantly affect FUNBIO's ability to record, process, summarize and present financial information consistent with management's assertions in the statements of funds received and disbursements made, as well as of accumulated investments.

A significant deficiency is the 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 financial information of the Project, and that could not be detected on a timely basis by FUNBIO employees in the normal course of the duties assigned thereto.

Our consideration of the internal control structure does not necessarily expose all matters of that system that could be considered significant deficiencies and, therefore, should not necessarily expose all conditions to be reported that could be considered significant deficiencies, according to the definition above.

Rio de Janeiro, December 10, 2021.

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP015199/O-6



Beatriz Gonçalves de Moraes Nicolaci

Accountant CRC-RJ091370/0