

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

From July 1, 2021 to June 30, 2022
with Independent Auditor's Report on Financial Information on the
Project "COPAIBAS – Projeto Comunitário, Unidades de
Conservação e Povos Indígenas na Amazônia e Cerrado
Brasileiro". Agreement executed by and between Funbio and the
Norwegian Ministry of Foreign Affairs (MFA)

A free translation from Portuguese into English of Financial
Statements

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on the Project “COPAIBAS - Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro”.

From November 1, 2021 to June 30, 2022

A free translation from Portuguese into English of Financial Statements

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Independent auditor's report on financial information on the Project "COPAIBAS – Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro"

The
Executive Secretary and the Board of Directors
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project COPAIBAS
Rio de Janeiro - RJ

Opinion

We have audited the Financial Information on the Project "COPAIBAS – Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro" ("Project" or "COPAIBAS"), managed by Fundo Brasileiro para a Biodiversidade – FUNBIO (the "Entity"), funded with resources from the Norwegian Ministry of Foreign Affairs, represented by Royal Norwegian Embassy in Brazil, for the period from November 1, 2021 to June 30, 2022, 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 receipts and disbursements for the period from November 1, 2021 to June 30, 2022 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 matter – Basis of preparation and presentation of the Project’s financial information and restriction on use

We draw attention to Note 2 to the financial statements, which describes the accounting basis of these financial statements, prepared to assist the Entity in complying with the clauses for preparing the financial reports of the aforementioned agreement. Accordingly, the financial statements may not serve any other purposes. Our report is exclusively intended for use and information by the executive board of the Entity and the Project funding agent, and should not be distributed or used by parties other than those mentioned. Our opinion is not modified in respect of this matter.

Responsibilities of the executive board and those charged with governance for the financial statements

The executive board is responsible for preparing the financial statements in accordance with the agreements entered into between the parties and with the accounting basis for receipts and payments described in Note 2 and for the internal controls that it determined as necessary to allow the preparation of the statements financial statements free of material misstatement, whether due to fraud or error.

In preparing the Financial Information, the executive board is responsible for assessing the Projects’ ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the executive board either intends to end Project or has no realistic alternative but to do so.

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

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, we exercised professional judgment and maintained professional skepticism throughout the audit. We also:

- Identified and assessed risks of material misstatements of the financial statements, 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 Entity's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluded on the appropriateness of the executive board'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 Projects' to cease to continue as a going concern.

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

Rio de Janeiro, August 12, 2022.

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


Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC-RJ091370/0

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on the Project “COPAIBAS – Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro”.

From November 1, 2021 to June 30, 2022

(In thousands of reais, unless otherwise stated)

Changes in the funds of Project “COPAIBAS - Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro” for the period from November 1, 2021 to June 30, 2022, and from July 1, 2020 to October 31, 2021, are as follows:

	Note	11/01/2021 to 06/30/2022	07/01/2021 to 10/31/2021	Accumulated (**)
Project balance at beginning of period		3,934	-	-
Cash inflows	4	14,001	9,450	23,451
Short-term investment income (*)	3	778	114	892
Finance costs		(4)	(2)	(6)
Funds used	5	(6,551)	(5,626)	(12,177)
Other adjustments		(64)	(2)	(66)
Project balance at end of period	3	12,094	3,934	12,094

(*) The amount refers to finance income from short-term investment, net of income tax to be withheld upon redemption by Funbio.

(**) The accumulated amounts refer to the period from July 1, 2020 to June 30, 2022.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of Project "COPAIBAS - Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro"

Period from November 1, 2021 and June 30, 2022

(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.

Copaíbas is a FUNBIO project enabled by resources from the Norwegian Ministry of Foreign Affairs (MFA). The project's duration is six years, with the first year allocated to the preparation of initiatives that will be carried out in the subsequent five years. Copaíbas aims to reduce the deforestation rate in the Brazilian Amazon and Cerrado.

COVID-19

Since the beginning of January 2020, the outbreak of a new virus named COVID-19 has been 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.

Due to the impacts of the pandemic, since March 18, 2020, a series of measures have been taken to protect the health and safety of the Institution's employees. Project management, financial management, and the management of disbursements, acquisitions and hiring were less impacted. However, those actions that depend on personnel mobility, such as travel, field monitoring and local tasks were reduced or postponed.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of Project "COPAIBAS - Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro" (Continued)

Period from November 1, 2021 and June 30, 2022

(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

COVID-19 (Continued)

Funbio has been monitoring developments related to COVID-19 over 2020 and coordinating its operational actions based on existing business continuity plans and on guidance from global and local health organizations, Federal, State and Municipal Governments and general best practices for crisis management.

FUNBIO considers that so far there has been no significant changes in the fair value of its assets and liabilities brought about by the COVID-19-related restrictions.

2. Significant accounting practices

Basis of preparation and general information

The financial information on Project 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. This accounting practice differs from the accounting practices applicable in Brazil, which establish that transactions must be recorded to the extent that they are incurred rather than when paid.

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

The Project's financial information was approved for issue by Funbio's executive board on August 12, 2022.

3. Funds available

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

Description	Type	11/01/2021 to 06/30/2022	07/01/2021 to 10/31/2021
Banco do Brasil – 23.802-3	Checking account	5	9
Banco do Brasil – 23.802-3	Financial investment	12,089	3,925
		<u>12,094</u>	<u>3,934</u>

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Notes to financial statements of Project "COPAIBAS - Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro" (Continued)

Period from November 1, 2021 and June 30, 2022

(In thousands of reais, unless otherwise stated)

3. Funds available (Continued)

In the period from November 1, 2021 to June 30, 2022, short-term investment income totaled R\$778 (October 31, 2021 - R\$114).

Investments in Bank Deposit Certificates (CDB) comprise bonds remunerated at 96% of the Interbank Deposit Certificate (CDI) variation, which may be redeemed in 60 months and pose insignificant risk of reduction in value. Investments are held with first-tier financial institutions.

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 D0 liquidity.

Investments are held with first-tier financial institutions.

4. Cash inflows

Total funds contributed by the donor for Project execution during the period from November 1, 2021 to June 30, 2022 were as follows:

Banco do Brasil CDB – Copaibas (23.802-3)	In thousands of NOK	Exchange	In thousands of R\$	Date of cash inflow in the bank
1st Contribution - Royal Norwegian Embassy	21,979	1.5698	14,001	11/26/2021

Total funds contributed by the donor for Project execution considering the period from July 1, 2020 to June 30, 2022 were as follows:

Banco do Brasil CDB – Copaibas (23,802-3)	In thousands of NOK	Exchange	In thousands of R\$	Date of cash inflow 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
3 rd Contribution - Royal Norwegian Embassy	21,979	1.5698	14,001	11/26/2021
	38,688		23,451	

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of Project “COPAIBAS - Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro” (Continued)
 Period from November 1, 2021 and June 30, 2022
 (In thousands of reais, unless otherwise stated)

5. Resources executed

The execution of funds of Project “COPAIBAS - Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro”, from November 1, 2021 to June 30, 2022, and from July 1, 2020 to October 31, 2021, is as follow:

Subprograms	11/01/2021 to 06/30/2022	07/01/2021 to 10/31/2021	Accumulated (*)
Beginning of the Project	188	194	382
Outcome 1 – Strengthening the subsistence of protected areas of the Cerrado (tropical scrub biome).	1,648	119	1,767
Outcome 2 - Strengthening the territorial management of indigenous peoples;	222	137	359
Outcome 3 – Communication – climate changes and conservation	278	154	432
Outcome 4 – Value Chains and Local Productive Arrangements	20	102	122
External audit	6	-	6
Funbio management	2,518	3,806	6,324
Administrative Costs	1,671	1,114	2,785
Total	6,551	5,626	12,177

(*) The accumulated amounts refer to the period from July 1, 2020 to June 30, 2022.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial statements of Project “COPAIBAS - Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro” (Continued)
 Period from November 1, 2021 and June 30, 2022
 (In thousands of reais, unless otherwise stated)

6. Service agreements

From November 1, 2021 to June 30, 2022, service agreements were entered into in Brazilian Real, as follows:

CEDOC	Status	Supplier	Beginning Date	End date	Amount
062/2021	COMPLETED	Oswaldo Henrique Nogueira Júnior	04/08/2021	11/29/2021	170,000.00
087/2021	COMPLETED	Instituto Ekos Brasil	06/10/2021	12/15/2021	119,707.00
057/2021	COMPLETED		03/17/2021	12/22/2021	105,000.00
180/2021	COMPLETED	CULTIVAR CONSULTORIA EM MEIO AMBIENTE	12/16/2021	03/30/2022	19,194.45
053/2022	COMPLETED	FINO TRACO PROGRAMACAO VISUAL EIRELI	02/21/2022	05/15/2022	8,900.00
170/2021	COMPLETED	Raoni Araújo Ferreira	12/15/2021	06/08/2022	50,000.00
122/2021	EXPIRED WITH	Eugênia Kelly Luciano Batista	09/16/2021	11/20/2022	85,800.00
104/2021	IN EFFECT	Larissa Schmidt	08/03/2021	07/15/2022	116,777.25
148/2021	IN EFFECT	Approach Comunicação Integrada Ltda	11/16/2021	08/01/2022	69,632.85
061/2022	IN EFFECT	Luxdev Design	03/24/2022	09/04/2022	8,957.00
060/2022	IN EFFECT	Instituto Ekos Brasil	03/18/2022	10/04/2022	127,630.00
048/2022	IN EFFECT	Plural Marketing e Eventos Ltda	02/04/2022	12/01/2022	65,018.34
107/2021	IN EFFECT	Daniel Russell Gross	08/07/2021	12/30/2022	123,235.00
064/2022	IN EFFECT	Guilherme Dias Felitti (Novelo)	04/11/2022	05/21/2023	257,236.00
074/2022	IN EFFECT	Apply Brasil PlanPubl Lt (Fio da Meada)	05/09/2022	06/18/2023	117,000.00
					1,444,087.89

Independent auditor’s limited assurance report on compliance with the accounting and financial contractual provisions on the Project “COPAIBAS – Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro”

The
Executive Secretary and the Board of Directors
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project COPAIBAS
Rio de Janeiro - RJ

We have audited the Financial Information on the Project “COPAIBAS – Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro” (“COPAIBAS” or “Project”), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the “Institution”), funded with resources from the Norwegian Ministry of Foreign Affairs, represented by the Norwegian Royal Embassy in Brazil for the period from November 1, 2021 to June 30, 2022, and issued a report thereon, dated August 12, 2022.

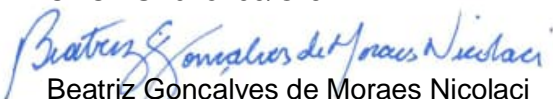
Our purpose of our audit was to verify the proper compliance with contractual provisions directly related to accounting and financial matters of the Project COPAIBAS.

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, represented by the Norwegian Royal Embassy in Brazil. 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, represented by the Norwegian Royal Embassy in Brazil. 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 November 1, 2021 to June 30, 2022, 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, represented by the Norwegian Royal Embassy in Brazil.

Rio de Janeiro, August 12, 2022.

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



Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC-RJ091370/0

Independent auditor’s Assurance Report on the description, design and effectiveness of operational controls applied on the Project “COPAIBAS – Projeto Comunitário, Unidades de Conservação e Povos Indígenas na Amazônia e Cerrado Brasileiro”

The
Executive Secretary and the Board of Directors
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project COPAIBAS
Rio de Janeiro - RJ

This report supplements our report on the financial information of the Project COPAIBAS.

Management of Fundo Brasileiro para Diversidade - FUNBIO, manager of COPAIBAS, 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 COPAIBAS' financial information for the period from November 1, 2021 to June 30, 2022, 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.

Our audit of the COPAIBAS Project for the period from November 1, 2021 to June 30, 2022 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, August 12, 2022.

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

A handwritten signature in blue ink, reading 'Beatriz Gonçalves de Moraes Nicolaci'.

Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC-RJ091370/0