

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

Period from January 1 to December 31, 2022
with Independent auditor's report on the Financial Information on Global
Environment Facility (GEF) Agency

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on GEF Agency

Period from January 1 to December 31, 2022

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A free translation from Portuguese into English of Independent Auditor's Report on financial information prepared in Brazilian currency in accordance with the contracts entered into by and between the parties, and the cash receipt and disbursement basis of accounting described in Note 2

Independent auditor's report on the financial information on GEF Agency

The Executive Office and the Board of Directors of
Fundo Brasileiro para a Biodiversidade - FUNBIO
GEF Agency
Rio de Janeiro - RJ

Opinion

We have audited the financial information on Projects of Global Environment Facility (GEF) Agency ("Projects" or "GEF Agency"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Entity"), funded with resources from the Entity and the International Bank for Reconstruction and Development (IBRD), for the period from January 1 to December 31, 2022, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying Projects' Financial Information for the period from January 1 to December 31, 2022 were prepared, in all material respects, in accordance with the contracts entered into by and between the parties, and the cash receipt and disbursement 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 'Auditors' responsibilities for the audit of the financial information' section of our report. We are independent of the Entity and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and 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 audit opinion.

Emphasis of matter - Basis of preparation and presentation of the financial information and restriction on distribution or use

We draw attention to Note 2 to the financial information, which describes the accounting basis of these financial information, prepared to assist the Entity in complying with the clauses for preparing the financial reports of the aforementioned contract. As such, the financial information may not serve any other purposes. Our report is exclusively intended for use and information by the management 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 management and those charged with governance for the financial information

Management is responsible for preparing the financial information in accordance with the contracts entered into between the parties and with the cash receipt and disbursement basis of accounting described in Note 2, and for the internal controls as management determines is necessary to enable the preparation of the financial information that is free from 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 liquidate the Project, or has no realistic alternative but to do so.

Those charged with governance of the Project are responsible for overseeing the process of preparing its financial information.

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial information.

As part of an audit in accordance with the Brazilian and International Standards on Auditing, we exercise professional judgment and maintain 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 Entity's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related 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 the Project'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 report. However, future events or conditions may cause the Project 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, April 28, 2023.

ERNST & YOUNG
Auditores Independentes S.S Ltda.
CRC- SP015199/F


Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC- RJ091370/O

A free translation from Portuguese into English of Independent Auditor's Report on Financial Information prepared in Brazilian currency in accordance with the contracts entered into by and between the parties, and the cash receipt and disbursement basis of accounting described in Note 2

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on GEF Agency
 Period from January 1 to December 31, 2022
 (In thousands of reais, unless otherwise stated)

The changes in resources of GEF Agency in the period from January 1 to December 31, 2022 are as follows:

| | Note | GEF Agency - FUNBIO | GEF Agency- Projects (Prospecies Preparation) | GEF Agency - Projects (Prospecies Grant) | GEF Agency Projects - (BARU Preparation) | Total GEF Agency |
|-----------------------------------------------|----------|------------------------|--------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|---------------------|
| Project balance at beginning of period | | 1,569 | 88 | 22,351 | - | 24,008 |
| Cash inflow - donors | 4 | 25 | - | - | 272 | 297 |
| Financial investment yields, net (*) | 3 | 129 | (47) | 617 | 8 | 707 |
| Finance costs | 3 | (1) | (3) | (6) | (3) | (13) |
| Transfer between accounts (**) | | - | (38) | 38 | - | - |
| FUNBIO costs | 5 | (90) | - | - | - | (90) |
| Transfer of funds from FUNBIO (allocation) | 5 | (720) | - | - | - | (720) |
| Accountability | 5 | - | - | (3,590) | - | (3,590) |
| Project balance at end of period | 3 | 912 | - | 19,410 | 277 | 20,599 |

(*) The amount refers to finance income from the short-term investment, net of income tax to be withheld upon redemption by Funbio. Yields for the year - in connection with the Prospecies Preparation and Prospecies Grant Projects - totaled R\$4 and R\$1,810, of which R\$51 and R\$1,193 were returned to the donor, as determined by the GEF Agency's financial procedures agreement.

(**) In 2022, the amount of R\$38 was internally transferred between accounts of Prospecies Preparation (PPG 129.150-5 to Prospecies Grant 23533-4), referring to the closing of the project as advised by GEF.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information on GEF Agency
From January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

The changes in resources of GEF Agency in the period from January 1 to December 31, 2021 are as follows:

| | Note | GEF Agency - FUNBIO | GEF Agency- Projects (Prospecies Preparation) | GEF Agency - Projects (Prospecies Grant) | Total GEF Agency |
|-----------------------------------------------|------|------------------------|--------------------------------------------------------|---------------------------------------------------|------------------|
| Project balance at beginning of period | | 2,272 | 85 | 12,685 | 15,042 |
| Cash inflow - donors | 4 | - | - | 16,242 | 16,242 |
| Financial investment yields, net (*) | 3 | 76 | 3 | 356 | 434 |
| Finance costs | 3 | (1) | - | (63) | (64) |
| Transfer between accounts | | (2) | - | - | (2) |
| FUNBIO costs | 5 | (56) | - | - | (56) |
| Transfer of funds from FUNBIO (allocation) | 5 | (720) | - | - | (720) |
| Accountability | 5 | - | - | (6,869) | (6,869) |
| Project balance at end of period | | 1,569 | 88 | 22,351 | 24,008 |

(*) This amount refers to financial investment yield, net of income tax to be withheld upon redemption by Funbio. Yields for the year - in connection with Prospecies Grant Project - totaled R\$476, of which R\$120 was returned to the donor, as determined by the financial procedures agreement of GEF Agency.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on GEF Agency
Period from January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

1. Operations

Fundo Brasileiro Para a Biodiversidade (FUNBIO) is a Brazilian private not-for-profit entity 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. Funbio is accredited as an implementing agency for GEF - Global Environment Facility and for GCF - Green Climate Fund.

The Global Environment Facility (GEF) was created in 1991 as an offshoot of the Convention on Biological Diversity signed in Rio-92, had a pilot phase as a World Bank program and became independent in 1994.

The funds related to GEF Agency are available to developing countries and countries with economies in transition to meet the objectives of international environmental conventions and agreements and are passed on through GEF-accredited Agencies. FUNBIO is the only national agency in Brazil accredited by GEF and one of three under this condition worldwide.

The creation of GEF agency within FUNBIO makes it possible to support interested institutions, mainly the Ministries of the Environment and of Science, Technology, Innovation and Communication in preparing and adapting projects to be submitted to GEF.

Prospecies Preparation Project

This refers to a financial support agreement for the preparation of the Project evaluation document entitled "National Strategy for Conservation of Endangered Species - Prospecies", for application to the Global Environment Facility - GEF board, agreed between FUNBIO and the IUCN Association.

This initiative is intended to prepare the Prospecies Project, supported by the Ministry of the Environment in the preparation of the Prospecies Project Document, with technical and administrative support for holding meetings and workshops, articulation of key actors for the preparation and execution of the Prospecies Project, the engagement of consultants and the preparation of documents, including - and mainly - the Prospecies Project Assessment Document with content and form suitable for submission of the document for endorsement to the GEF Executive Office.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on GEF Agency (Continued)
Period from January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

Prospecies Grant Project

This Project started in August 2018 and the Project activities and progress towards its goals have been supervised and verified. The conclusion reached is that although there are some activities delayed in relation to the planning, there is a greater number of advanced activities, and the Project is currently at a satisfactory level of implementation.

Baru Preparation Project

The project was approved in May 2022 and is currently in the preparation phase. It aims to promote the baru as an element of conservation and income in the Cerrado (Brazilian Savannah). It will strengthen the network of producers, as well as the empowerment of traditional people and communities that have the species as a source of work and income, supporting the construction of a fair and solidary market, ensuring a sustainable management for the baru nut, with less environmental impact and increased income generation.

2. Significant accounting practices

Basis of preparation and general information

The financial information on the Projects have 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.

The financial information is presented in Brazilian reais (R\$), which is the Entity's functional currency. All financial information presented in thousands of reais was rounded to the nearest thousand, unless otherwise stated.

This financial information was approved for issue by the Entity's management on April 28, 2023.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on GEF Agency (Continued)
Period from January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

3. Funds available

From January 1 to December 31, 2022, the balance remaining in the checking account is as follows:

GEF Agency - FUNBIO

| Description | Type | 2022 | 2021 |
|--------------------------------------------------------------------|----------------------|------|-------|
| Banco do Brasil - w/ fixed-income Investment RF LP Corp 29149-8 | Financial investment | 912 | 1,569 |

In the period from January 1 to December 31, 2022, financial investment yields totaled R\$129 (R\$76 in 2021) and finance costs R\$1 (R\$1 in 2021).

Financial investments are kept in *Fundo Renda Fixa LP Corporate*, a fixed income fund that guaranteed yields equivalent to 104.58% of the Interbank Deposit Certificate (CDI) variation. Financial investments have no redemption period and pose insignificant risk of reduction in value. Investments are held with first-tier financial institutions.

GEF Agency - Projects

1) *Prospecies Preparation*

| Description | Type | 2022 | 2021 |
|------------------------------------------|----------------------|------|------|
| Banco do Brasil - w/ inv. CDB - 129150-5 | Financial investment | - | 88 |

In the period from January 1 to December 31, 2022, financial investment yield totaled R\$4 (R\$3 in 2021) and finance costs R\$3.

Financial investments in Bank Deposit Certificates (CDBs) are represented by securities that guarantee yields between 96% and 99% of the CDI variation, with a redemption period of up to 60 months and insignificant risk of reduction in value. Investments are held with first-tier financial institutions.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on GEF Agency (Continued)
 Period from January 1 to December 31, 2022
 (In thousands of reais, unless otherwise stated)

3. Funds available (Continued)

GEF Agency - Projects (Continued)

2) *Prospecies Grant*

| Description | Type | 2022 | 2021 |
|-----------------------------------------------------------------|----------------------|---------------|---------------|
| Banco do Brasil - C/C 23533-4 | Checking account | 1 | - |
| Banco do Brasil - w/ fixed-income Investment RF LP Corp 23533-4 | Financial investment | 14,641 | 19,352 |
| Advance to Project | Advanced funds (*) | 4,768 | 2,999 |
| Total funds available - Prospecies Grant | | 19,410 | 22,351 |

(*) Advanced funds refer to the amount advanced to the Project by Funbio to carry out its execution until the accountability is carried out by the executing Entity.

In the period from January 1 to December 31, 2022, financial investment yields totaled R\$1,810 (R\$356 in 2021) and finance costs R\$6.

Financial investments are kept in *Fundo Renda Fixa LP Corporate*, a fixed income fund that guaranteed yields equivalent to 104.58% of the CDI variation. Financial investments have no redemption period and pose insignificant risk of reduction in value. Investments are held with first-tier financial institutions.

3) *Baru Preparation*

| Description | Type | 2022 | 2021 |
|-------------------------------------------------|----------------------|------------|----------|
| Banco do Brasil - C/C 26983-2 | Checking account | 3 | - |
| Banco do Brasil - w/ inv. CDB - 26983-2 | Financial investment | 139 | - |
| Advance made to the Project | Advanced funds (*) | 135 | - |
| Total funds available - BARU Preparation | | 277 | - |

(*) Advanced funds refer to the amount advanced to the Project by Funbio to carry out its execution until the accountability is carried out by the executing Entity.

In the period from January 1 to December 31, 2022, financial investment yields totaled R\$8 and finance costs R\$3.

Financial investments in Bank Deposit Certificates (CDBs) are represented by securities that guarantee yields of 96% of the CDI variation, with a redemption period of up to 60 months and insignificant risk of reduction in value. Investments are held with first-tier financial institutions.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on GEF Agency (Continued)

Period from January 1 to December 31, 2022

(In thousands of reais, unless otherwise stated)

4. Cash inflow - GEF Agency

The total funds contributed in the period from January 1 to December 31, 2022 and 2021 were as follows:

| Project | 2022 | 2021 | Accumulated (*) |
|---------------------------------------|------------|---------------|-----------------|
| GEF Agency - FUNBIO (c/c 29149-8) | 25 | - | 4,056 |
| Prospecies Preparation (c/c 129150-5) | - | - | 945 |
| Prospecies Grant (c/c 23533-4) | - | 16,242 | 37,775 |
| BARU Preparation (c/c 26983-2) | 272 | - | 272 |
| Total inflows | 297 | 16,242 | 43,048 |

(*) The accumulated amount refers to the period from August 26, 2016 to December 31, 2022.

5. Funbio costs, transfer of funds from Funbio (allocation) and accountability

Funbio costs, Funbio transfer (allocation) and the accountability of GEF Agency, which took place in the period from January 1 to December 31, 2022 are as under:

| Execution type | Project | 2022 | 2021 | Accumulated (*) |
|-----------------------------------|------------------------|----------------|----------------|-----------------|
| FUNBIO costs | GEF Agency - FUNBIO | (90) | (56) | (380) |
| FUNBIO transfer (allocation) (**) | GEF Agency - FUNBIO | (720) | (720) | (3,627) |
| Accountability | Prospecies Preparation | - | - | (907) |
| Accountability | Prospecies Grant | (3,590) | (6,869) | (19,612) |
| Total funds executed | | (4,400) | (7,645) | (24,526) |

(*) The accumulated amount refers to the period from August 26, 2016 to December 31, 2022.

(**) This amount refers to the transfer made by the Project to Funbio to cover indirect costs according to the limit percentage and types of expenses agreed upon in the contract with the donor.