

Financial Information

Fundo Brasileiro para Biodiversidade - FUNBIO

February 10 to December 31, 2020
with Independent Auditor's Report on Financial Information of GCF
Agency

Fundo Brasileiro para Biodiversidade - FUNBIO

Financial Information of GCF Agency

February 10 to December 31, 2020

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A free translation from Portuguese into English of Independent Auditor's Report on Financial Information of GCF Agency prepared in Brazilian currency in accordance with the accounting base for receipts and payments described in Note 2

Independent Auditor's Report on Financial Information of GCF Agency

To the Management of
Fundo Brasileiro para a Biodiversidade - FUNBIO - GCF Agency
Rio de Janeiro - Rio de Janeiro State

Opinion

We have audited the financial information of the Green Climate Fund Agency (GCF) ("Projects" or "Agency"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO ("Institution"), funded by means of the agreement entered into with the United Nations Office for Project Services (UNOPS) on February 10, 2020, for the period from February 10 to December 31, 2020, including a summary of significant accounting practices and other explanatory information.

In our opinion, the financial information referred to above presents fairly, in all material respects, the amounts received and paid in the period from February 10 to December 31, 2020, funded by means of the agreement entered into with the United Nations Office for Project Services (UNOPS) on February 10, 2020, and the accounting base for receipts and payments 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 Projects in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by Brazil's National Association of State Boards of Accountancy ("CFC") and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to support our opinion.

Emphasis of matter - basis of preparation and presentation of the Projects' financial information and restriction on use

We draw attention to Note 2 to the Projects' financial information, which describes the basis of preparation and presentation of this financial information, aimed at assisting FUNBIO in evidencing compliance with the terms for the preparation of the financial information of GCF Agency. As such, the Projects' financial information does not serve for other purposes. Thus, our report is intended solely for the abovementioned purpose. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of this financial information in accordance with the accounting base for receipts and payments described in Note 2, 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 from material misstatement, whether due to fraud or error.

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

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

As described in Note 2, the financial information was prepared on the accounting base for receipts and payments. Referred to accounting base recognizes transactions and facts only when funds (including fund equivalents) are received or paid by the Projects and not when these amounts result from, are earned or originate from rights or obligations that have not yet produced a change in funds (cash).

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 an audit in accordance with 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 the risk of not detecting 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 appropriateness of accounting policies used (described in Note 2) 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 substantial doubt on the 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 auditors' report. However, future events or conditions may cause the Projects to cease to continue as a going concern.
- 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 planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may have been identified during our audit.

Rio de Janeiro, May 18, 2021.

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



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

Fundo Brasileiro para Biodiversidade - FUNBIO

Financial Information of GCF Agency

February 10 to December 31, 2020

(In thousands of reais - R\$, unless otherwise stated)

GCF Agency - Readiness

Description	10/02/2020	Cash inflow - contributions to project preparation	Cash Inflow - contribution to projects approved	Funbio Costs	Investment yields	Finance costs	FUNBIO transfer (allocation)	31/12/2020
Readiness Project (c/c 25432-0)	-	1,346	-	-	16	(5)	(184)	1,173
	-	1,346	-	-	16	(5)	(184)	1,173

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to the financial information of GCF Agency
February 10 to December 31, 2020
(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, 5º e 6º andares, Botafogo, Rio de Janeiro - RJ, with establishment in the city of Brasília, Federal District, at SHN Quadra 2, Bloco F, Executive Office Tower, salas 1323 a 1326, Asa Norte.

The main activities carried out include financial management of projects resources funds, design of financial mechanisms and studies of new sources of funds for conservation, as well as purchases and engagements 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 purpose of Green Climate Fund (GCF) is to support developing countries to implement actions to adapt and mitigate global climate change. The Fund works with implementing entities that go through a rigorous accreditation process. These entities must follow the GCF's policies and procedures to submit eligible proposals for its consideration and possible approval. In Brazil, three national entities were accredited by GCF, Brazil's Federal Savings and Loans Bank ("CEF"), the National Bank for Economic and Social Development ("BNDES") and Fundo Brasileiro para a Biodiversidade (FUNBIO).

GCF funds are available for developing countries and countries whose economy is in transition to meet the objectives of the United Nations Framework Convention on Climate Change (UNFCCC). GCF funds are transferred through implementing agencies. FUNBIO, which was already a Global Environment Facility (GEF)'s implementing agency, was accredited as a National Accredited Entity in 2018. The creation of the GCF Agency at FUNBIO allows supporting institutions interested in climate mitigation and adaptation projects to be submitted to GCF.

In 2020, FUNBIO submitted no project proposal to GCF, however there are two (2) projects in phase of preparation, which are expected to be submitted in 2021. One of these projects is focused on the Amazon region and the other on adapting the public health sector to climate change.

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to the financial information of GCF Agency (Continued)
February 10 to December 31, 2020
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

At the end of 2019, Funbio presented a project to GCF, in the Readiness category, which was approved, and in 2020 it received the first resources. Project “Strengthening Brazilian DAEs and executors for the implementation and execution of GCF projects” aims to support all three national entities accredited by GCF to improve their ability to operate with this fund. The improvement opportunities addressed by this project are issues related to environmental and social safeguards, gender issues and project monitoring. In addition, this project will support the initial preparation of projects for GCF and increase communication with public and private entities interested in accessing GCF.

Readiness PC is a credit facility from the Green Climate Fund (GCF) that reserves USD 1 million per year for countries signing the United Nations Framework Convention on Climate Change (UNFCCC) and is managed by Fundo Brasileiro para a Biodiversidade - FUNBIO, funded by means of the agreement entered into with the United Nations Office for Project Services (UNOPS) in accordance with the Grant Support Agreement (GSA) BRA - RS - 002 and its amendment No. 1 signed on February 10, 2020.

These funds can be requested through projects indicated by the Ministry of Economy, the GCF’s focal point in Brazil. The purpose of this credit facility is to help countries prepare to access GCF funds and may be used to support national accredited entities, such as Fundo Brasileiro para a Biodiversidade (FUNBIO), to structure the focal point’s actions and to help prepare projects according to the GCF regulation.

Impact of COVID-19

In 2020, the activities carried out were mainly internal activities, partly due to the novel coronavirus pandemic.

This project was greatly impacted by the COVID-19 pandemic, since it was started a few weeks before the impacts of the pandemic hit Brazil. The unplanned transition to remote work, the inability to hold face-to-face meetings, which were necessary for various project activities, and the initial uncertainty about how long this period would last have hindered the initial planning and delayed the replanning considering this new context. In the first half of 2020, except for one gap in the first months of the pandemic, the understanding was that the project planning would include few changes. However, the lack of effective actions in Brazil to control the pandemic led to its worst phase a year after it began and completely nullified that possibility. On-site training in Rio de Janeiro and Brasília and the events with the public and private sectors were completely impacted. Currently, the project will be conducted remotely.

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to the financial information of GCF Agency (Continued)
February 10 to December 31, 2020
(In thousands of reais, unless otherwise stated)

2. Significant accounting practices

Basis of preparation

The financial information of GCF Agency was prepared on a receipt and payment accounting base, whereby revenues are recognized upon receipt of funds (resources) and expenses are recorded when they effectively represent expenses paid in cash (cash), pursuant to the agreement entered into with UNOPS on February 10, 2020. 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.

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

The financial information was approved for issue by the Institution's management on May 18, 2021.

3. Transfer of funds – GCF Agency

FUNBIO has a checking account at Banco do Brasil (checking account (c/c) 25432-0) to receive UNOPS funds for the project in Brazil.

Total funds contributed in the period from February 10 to December 31, 2020 was as follows:

GCF Agency – Readiness (c/c 25432-0)	Amounts in Dollar	Foreign exchange	Amounts in R\$ (thousand)	Date of cash inflow in the bank
1 st Contribution - Readiness	260	5.177	1,346	31/03/2020
Total	260		1,346	

Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to the financial information of GCF Agency (Continued)
February 10 to December 31, 2020
(In thousands of reais, unless otherwise stated)

4. Funds available

As at December 31, 2020, balances available in the project's bank accounts, including short-term investments, are as follows:

<u>Description</u>	<u>Type</u>	<u>2020</u>	<u>2019</u>
Banco do Brasil - C/C 25432-0	Checking account	-	-
Banco do Brasil - W/inv. CDB - 25432-0	Automatic investment	<u>1,173</u>	-
Total cash and cash equivalents		<u><u>1,173</u></u>	<u>-</u>

In the period from February 10 to December 31, 2020, financial investment yields totaled R\$16 (R\$0 in 2019).

Independent auditor's report on compliance with the accounting and financial contractual provisions of GCF Agency

To the Management of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project GCF Agency
Rio de Janeiro - Rio de Janeiro State

We have audited the financial information of GCF Agency ("Projects" or "Agency"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution"), funded by various institutes and entities (the "Donors"), for the period from February 10 to December 31, 2020, and issued our report thereon dated May 18, 2021.

Our audit was focused on checking whether the contractual provisions directly related to accounting and financial matters of the Donation Agreements entered into with the Donors are appropriately complied with.

We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and conduct the audit in order to obtain reasonable certainty that FUNBIO has complied with the terms set out in the Donation Agreements. The audit includes review, on a test basis, of the evidence deemed appropriate by us. Accordingly, we believe that our audit provides a reasonable base for our opinion.

In our opinion, in the period from February 10 to December 31, 2020, FUNBIO complied with, in all significant respects, the accounting and financial contractual clauses applicable contained in the Donation Agreements entered into with the sponsors.

Rio de Janeiro, May 18, 2021.

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



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

Independent auditor's report on the internal control structure of GCF Agency

To the Management of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project GCF Agency
Rio de Janeiro - Rio de Janeiro State

This report supplements our report on the financial information of GCF Agency. Management of Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution"), Executing Institution of GCF Agency ("Projects" or "Agency"), is responsible for maintaining internal controls sufficient to mitigate the risks of significant misstatements in the financial information and protect the assets under custody of the Project, including the areas constructed and other assets acquired. In order to fulfill this responsibility, management is required to make judgments and estimates to evaluate the expected benefits and costs relating to internal control policies and procedures. An internal control system is aimed at providing management with reasonable assurance, but not a guarantee, that the assets are protected against losses deriving from unauthorized use or disposal, that the transactions are performed in accordance with management authorization and that the agreement terms are appropriately recorded in order to allow the financial information to be fairly prepared. Due to the limitations inherent in any internal control system, errors or irregularities may occur and remain undetected. In addition, the projections of any future periods' structure assessment are subject to the risk that the procedures may be inadequate due to changes in conditions, or that the efficiency of the design and operation of the policies and procedures may be impaired.

In planning and conducting our audit of the Project's financial information for the period from February 10 to December 31, 2020, we obtained an understanding of the internal control structure and assessed the risk of controls to determine our audit procedures, in order to express an opinion on the Project's financial information, but not to issue an opinion on the effectiveness of the internal control structure.

Our audit of GCF Agency for the period from February 10 to December 31, 2020 identified no significant deficiencies in internal control design or operation which could, in our opinion, significantly affect FUNBIO's ability to record, process, summarize and present the financial information consistently with management affirmations in the statements of the funds received and disbursements made, as well as with accumulated investments.



A significant deficiency is a condition in which the design or operation of one or more elements of the internal control structure does not reduce to a relatively low level the risk that errors or irregularities may occur in amounts that could be significant in relation to the Project's financial information, and that could not be timely detected by FUNBIO employees in the ordinary course of their duties.

Our consideration on the internal control structure does not necessarily expose all matters relating to this system that could be considered significant deficiencies and, as such, should not necessarily expose all conditions to be informed that could be considered significant deficiencies, in accordance with the prior definition.

Rio de Janeiro, May 18, 2021.

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

A handwritten signature in blue ink, appearing to read 'W. Neumayer', is written over the printed name below.

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