

## **Financial Information**

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

January 1 to December 31, 2020  
with Independent Auditor's Report on Financial Information on the  
Amazon Region Protected Areas (ARPA) Program

# **Fundo Brasileiro para Biodiversidade - FUNBIO**

## **Financial information on the Amazon Region Protected Areas (ARPA) Program**

January 1 to December 31, 2020

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**A free translation from Portuguese into English of Independent Auditor's Report on financial statements prepared in Brazilian currency in accordance with the base for receipts and payments described in Note 3**

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## **Independent auditor's report on financial information on the Amazon Region Protected Areas (ARPA) Program**

To the Management of  
**Fundo Brasileiro para a Biodiversidade - FUNBIO**  
Amazon Region Protected Areas (ARPA) Program  
Rio de Janeiro - Rio de Janeiro State

### **Opinion**

We have audited the financial information on the Amazon Region Protected Areas (ARPA) Program (the "Program" or "Project"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution"), funded by various institutes and entities (the "Donors") described in Note 3, which comprise the amounts received and paid in the period from January 1 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 January 1 to December 31, 2020, in accordance with the accounting base for receipts and payments 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 Project 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 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 3 to the Project's financial information, which describes the basis of preparation and presentation of this financial information. As such, the Project's financial information may not serve other purposes, other than meeting the need for information of FUNBIO and Project donors. Our report is intended solely for use of FUNBIO and the Project donors. 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 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 this 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 this basis of accounting, unless management either intends to end the Project, or has no realistic alternative to prevent the Projects from ending.

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

As described in Note 3, the financial information was prepared on the accounting base of receipts and payments. Referred to accounting base recognizes transactions and facts only when funds (including fund equivalents) are received or paid by the Project 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 the risks of material misstatement 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 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 substantial 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 auditors' report. However, future events or conditions may cause the Project 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, June 02, 2021.

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

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

A free translation from Portuguese into English of Financial Statements prepared in Brazilian currency in accordance with the base for receipts and payments described in Note 3

## Fundo Brasileiro para Biodiversidade - FUNBIO

Financial information on the Amazon Region Protected Areas (ARPA) Program

January 1 to December 31, 2020

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

Accumulated amounts as at October 1, 2010 to December 31, 2020 of changes occurring during execution of “ARPA Phase II” and “ARPA Transition Fund” Programs are as follows:

| Donors                    | Funds contributed | Funds to allocate | Funds transferred | Net yields     | Foreign exchange difference | Execution        | Advance      | Other adjustments | Accumulated balance until 12/31/2020 | Bank balance   | Difference (I) |
|---------------------------|-------------------|-------------------|-------------------|----------------|-----------------------------|------------------|--------------|-------------------|--------------------------------------|----------------|----------------|
| BNDES                     | 19,949            | -                 | -                 | 493            | -                           | (20,440)         | -            | (2)               | -                                    | -              | -              |
| GEF BM                    | 46,171            | -                 | -                 | -              | -                           | (46,171)         | -            | -                 | -                                    | -              | -              |
| KfW                       | 70,679            | -                 | -                 | 497            | -                           | (71,175)         | -            | (1)               | -                                    | -              | -              |
| BID                       | 14,454            | -                 | -                 | 355            | -                           | (15,127)         | -            | (15)              | (333)                                | -              | (333)          |
| FT*                       | 175,660           | -                 | -                 | 558            | -                           | (170,008)        | (396)        | (7)               | 5,807                                | 5,807          | -              |
| Long-term transition fund | 390,098           | -                 | (175,660)         | 317,404        | 238,102                     | -                | -            | -                 | 769,944                              | 769,944        | -              |
| <b>Total</b>              | <b>717,011</b>    | <b>-</b>          | <b>(175,660)</b>  | <b>319,307</b> | <b>238,102</b>              | <b>(322,921)</b> | <b>(396)</b> | <b>(25)</b>       | <b>775,418</b>                       | <b>775,751</b> | <b>(333)</b>   |

(I) Amounts disbursed directly in FUNBIO administrative checking account referring to expenses incurred before the Project's first disbursement.

See accompanying notes.

A free translation from Portuguese into English of Financial Statements prepared in Brazilian currency in accordance with the base for receipts and payments described in Note 3

## Fundo Brasileiro para Biodiversidade - FUNBIO

Financial information on the Amazon Region Protected Areas (ARPA) Program  
January 1 to December 31, 2020  
(In thousands of reais - R\$, unless otherwise stated)

Accumulated amounts as at January 1 to December 31, 2020 of changes occurring during execution of “ARPA Phase II” and “ARPA Transition Fund” Programs are as follows:

| Donors                    | Accumulated<br>balance until<br>12/31/2019 | Funds<br>contributed | Funds to<br>allocate | Funds<br>transferred | Net yields     | Foreign<br>exchange<br>difference | Execution (I)   | Advance      | Other<br>adjustments | Accumulated<br>balance until<br>12/31/2020 | Bank<br>balance | Difference<br>(II) |
|---------------------------|--|----------------------|----------------------|----------------------|----------------|-----------------------------------|-----------------|--------------|----------------------|--|-----------------|--------------------|
| BNDES                     | -  | -                    | -                    | -                    | -              | -                                 | -               | -            | -                    | -  | -               | -                  |
| GEF BM                    | -  | -                    | -                    | -                    | -              | -                                 | -               | -            | -                    | -  | -               | -                  |
| KfW                       | -  | -                    | -                    | -                    | -              | -                                 | -               | -            | -                    | -  | -               | -                  |
| BID                       | (333)                                      | -                    | -                    | -                    | -              | -                                 | -               | -            | -                    | (333)                                      | -               | (333)              |
| FT*                       | 2,596                                      | 45,060               | -                    | -                    | (62)           | -                                 | (43,239)        | 1,477        | (25)                 | 5,807                                      | 5,807           | -                  |
| Long-term transition fund | 566,190                                    | 5,060                | -                    | (45,060)             | 136,544        | 107,210                           | -               | -            | -                    | 769,944                                    | 769,944         | -                  |
| <b>Total</b>              | <b>568,453</b>                             | <b>50,120</b>        | <b>-</b>             | <b>(45,060)</b>      | <b>136,482</b> | <b>107,210</b>                    | <b>(43,239)</b> | <b>1,477</b> | <b>(25)</b>          | <b>775,418</b>                             | <b>775,751</b>  | <b>(333)</b>       |

(I) In 2020, execution occurred only in the FT Donor, as follows:

| Donors | Financial execution | Accounting execution | Difference |
|--------|---------------------|----------------------|------------|
| FT*    | 43,239              | 42,871               | 367        |

(\*) The difference recorded of R\$367 comprises: R\$427 referring to the write-off of invoices, Social Security Tax (INSS), travel advance provisioned in 2019 and (R\$60) referring to revenue adjustment executed in 2019 and transferred to Funbio in 2020.

(II) Amounts disbursed directly in FUNBIO administrative checking account referring to expenses incurred before the Project's first disbursement.

See accompanying notes.

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

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program

January 1 to December 31, 2020

(In thousands of reais, unless otherwise stated)

### **1. Operations of the executing agent of projects**

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.

Amazon Region Protected Areas (ARPA) Program is the largest tropical forest protection initiative in the world and has been contributing to the conservation of the Brazilian Amazon since 2002. The Transition Fund (FT) emerged from ARPA for Life initiative and began in 2014, marking the beginning of the ARPA Program Phase III. The Transition Fund is an extinguishable fund designed and developed as an alternative for the consolidation of Protected Areas supported by the ARPA Program, through investments of donations from international cooperation, private donations and government funds represented by non-financial consideration. Phase III aims the gradual transfer of the fund contribution to the public power until the maintenance costs of the supported Protected Areas are fully maintained by the federal government and states, thus enabling the main objective of the Program to be reached, which consists of consolidation and protection 60 million hectares of forest, 15% of the territory of the Brazilian Amazon. The goal of supporting to the Protected Areas was reached in 2017, when the Program already supported 60.8 million hectares, with 117 Protected Areas under its umbrella agreement. In addition, Phase III also aims to create 13.5 million hectares of protected areas in the Amazon region, a goal that is still being pursued.

FUNBIO is the program's financial manager, performing the procurement and contracting activities for the Protected Areas and performing the Fund's asset management that ensures the program's sustainability in the long term. The Transition Fund incorporated funds from the Amazon Region Protected Areas Fund ("FAP"), organized in the program's first phase, and has been leveraging new funds from the Cooperation International and private donations, with the goal to reach US\$215,000.



## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### 1. Operations of the executing agent of projects (Continued)

In the period from January 1 to December 31, 2020, the following are highlighted:

- As a result of the 2020/2021 good planning carried out in the second half of 2019, for the first time in the trajectory of the ARPA Program, it was possible to start the execution, on February 1, of all Operational Plans of a biennium (20/21).
- Although the Institution is constantly improving itself, 2020 was the year in which the implementation and improvement of internal processes were completed, in order to achieve versatility and better institutional performance for the ARPA Program. Projects that had been developed since 2018 were implemented in 2020, making it a consolidation year of the use of these improvements (for instance system improvements for: request of cards, local expense operation, donating of assets, purchasing platform, protocol and analyses of consulting and construction processes, etc.);
- Implementation and consolidation of maintenance and food cards for the entire ARPA Program, with the expansion of the suppliers' network in Amazon, in addition to structuring the maintenance service for aquatic equipment, a project developed in partnership between Funbio and the company providing referred to service;
- Implementation and consolidation of the modernization project of the restricted account, remodeled to the local expense account, the tool for direct execution of resources at the tip, by managers through bank accounts of the Protected Areas, had a reduction in the monthly amount available and new rules for the use of resources were defined. The mechanism operated properly in 2020, bringing greater security for the operations of direct execution of the Program's resources by the Protected Areas;
- Support for the implementation of emergency actions to combat the COVID 19 pandemic; Mobilization and operation with ICMBio of resources for protection and prevention and fighting forest fires; Mobilization and operation with SEMA-AM of resources for hiring personnel and implementing a transparency system for resources applied in the protected areas of the State of Amazonas.
- Approval of an Arpa Program contingency fund to be administered by the Fund Manager, with provision of resources to cover unforeseen events through security and institutional compliance mechanisms;
- Implementation of improvement opportunities for the Arpa Program, identified in the audit process of 5% of the Program's Protected Area in 2019;
- The Transition Fund's valued portfolio reached the amount of R\$779,473, and R\$769,944 (R\$573,608 in 2019) after considering the provision for income tax, a net increase of 36%, arising from new deposits received from Anglo American donations, short-term investment yields and foreign exchange differences, the latter impacted by the appreciation of approximately 28.93% of the foreign currency (US\$) included in the investment portfolio;

## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### 1. Operations of the executing agent of projects (Continued)

- ARPA FT Operational account received R\$45,060 (R\$48,500 in 2019) from the Transition Fund in 2020 and execution totaled R\$43,239 (R\$45,654 in 2019).

Institution management approved this financial information for issue on June 02, 2021.

#### Impact of 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 the spread and the growing number of infected people, on March 11, 2020, COVID-19 was classified by the World Health Organization (WHO) as a pandemic.

To slow down the contamination by COVID-19, various countries have imposed a series of restrictive measures of social distancing, such as quarantine and closing borders, unprecedented situations in recent world history. The Brazilian government, acting together with the states and municipalities, adopted a series of measures, among them, decrees and provisional executive orders to minimize the risk of contamination of the population, the economic impact in the various sectors, while avoiding the collapse of the Brazilian health system.

In 2019, Funbio invested significantly in updating its technology park, placing systems in cloud (Azzure) and also in expanding the project management and managerial information system through BI (Business Intelligence). A new purchasing and contracting platform was implemented, accelerating the response to the demands of the Fund's partners. In the financial area, the existing processes were reviewed and adapted to be carried out remotely, bringing agility and security to the treatment of the Fund' assets. These innovations are reflected in this period of threats posed by Covid-19, when in less than 1 week the Fund was able to remain in operation through remote work (home office), without prejudice to its ability to deliver. These investments were reflected throughout 2020, enabling the performance of the Institution's mission, the smooth running of the projects and ensuring compliance with health recommendations by employees.

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

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

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### **2. Donors**

The financial information relating to the accountability of the Amazon Region Protected Areas (ARPA) Program, whose financial manager is Fundo Brasileiro para a Biodiversidade - FUNBIO, was prepared by management of FUNBIO as at December 31, 2020 to inform the donors about the financial execution of the funds donated to the Long-term Transition Fund, managed by FUNBIO through Asset Managers Pragma Patrimônio and Julius Bär; which incorporated funds from the Amazon Region Protected Areas (FAP) Fund as well as donations from WWF - World Wide Fund for Nature and MAC Foundation through WWF Brazil, Anglo American Minério de Ferro Brasil S.A., Ministry of Economic Cooperation and Development of Germany (BMZ), entered into with Kfw-Entwicklungsbank (German Development Bank) KfW - BMZ 2013.67.127, and from Global Environment Facility through World Bank.

The funds of the Operational Transition Fund are provided by the Long-Term Transition Fund in order to render the 117 Protected Areas operational.

### **3. Significant accounting practices**

#### Basis of preparation

The Program's financial information 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). 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.

### **4. Funds available - Phase II (BNDES, GEF/BM and KfW)**

In the period from January 1 to December 31, 2020, there were no funds available in the bank accounts of the ARPA Phase II Program and there were no changes in the account of Banco do Brasil Frankfurt c/c 35.93315.888 from sponsor KfW.

## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### 5. Funds contributed by ARPA - Phase II (BNDES/GEF BM/KfW)

In its second phase (2010 to 2019), ARPA supported creation of over 4.2 million hectares in new Protected Areas and consolidation of 9 million hectares in Protected Areas already established. For this purpose, FUNBIO as the financial manager of ARPA Program maintained an agreement with and received funds from the Amazon Fund through BNDES - Agreement No. 09.2.1432.1, terminated in 2015; from GEF - Global Environment Facility, through the World Bank - TF 12073, terminated in 2017; and from the Ministry of Economic Cooperation and Development of Germany (BMZ), through KfW-Entwicklungsbank (German Development Bank) - BMZ 2006.66214, terminated in 2019.

In the period from January 1 to December 31, 2020 and 2019, there were no funds received in the. Total accumulated contributions are as follows:

|              | 2020     | 2019     | Accumulated (*) |
|--------------|----------|----------|-----------------|
| BNDES        | -        | -        | 19,949          |
| GEF BM       | -        | -        | 46,171          |
| KfW BMZ      | -        | -        | 70,679          |
| <b>Total</b> | <b>-</b> | <b>-</b> | <b>136,799</b>  |

(\*) The accumulated amount refers to the period from October 1, 2010 to December 31, 2020.

### 6. Summary of statements of expenses - Phase II (BNDES/GEF BM/KfW)

There were no funds invested in the BNDES, GEF BM and KfW 2006 66 214 Contracts in 2020 (R\$0, R\$0 and R\$185, respectively, in 2019), as shown below:

| Total expenses declared              | 2020     | 2019       | Accumulated (*) |
|--------------------------------------|----------|------------|-----------------|
| BNDES/ARPA Agreement No. 09.2.1432.1 | -        | -          | 20,440          |
| BM/ARPA Agreement - TF 12073         | -        | -          | 46,171          |
| KfW Agreement No. 2006 66 214        | -        | 185        | 71,175          |
| <b>Balance at December 31</b>        | <b>-</b> | <b>185</b> | <b>137,786</b>  |

(\*) The accumulated amount refers to the period from October 1, 2010 to December 31, 2020.

## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### 6. Summary of statements of expenses - Phase II (BNDES/GEF BM/KfW) - Continued

Funds were applied as follows:

|                               | 2020     | 2019       | Accumulated (*) |
|-------------------------------|----------|------------|-----------------|
| KfW assets                    | -        | 34         | 8,530           |
| Advisory services             | -        | 13         | 10,913          |
| Recurring costs               | -        | 6          | 36,195          |
| Works and refurbishing        | -        | -          | 260             |
| Special services              | -        | 132        | 15,277          |
| <b>Balance at December 31</b> | <b>-</b> | <b>185</b> | <b>71,175</b>   |

(\*) The accumulated amount refers to the period from October 1, 2010 to December 31, 2020.

### 7. Transition Fund

On June 18, 2012, at the United Nations Rio+20 Conference, a memorandum of understanding was entered into between GORDON and Betty Moore Foundation, Linden Trust for Conservation, FUNBIO, WWF Network represented by WWF BR and the Brazilian Ministry of the Environment aimed at promoting and implementing the Commitment for the Amazon Region/Amazon for Life Initiative through actions to ensure the ecological, social, political, institutional and financial sustainability of 40 million ha in preservation units, including 5 to 10 million ha of ARPA Program.

In 2014, the Transition Fund (FT), a long-term (25 years), extinguishable (amortization fund), financing mechanism of a private nature was created by means of agreements between entities, individuals and legal entities, Brazilian and foreign donors, for the purpose of ensuring preservation of biodiversity and eco-system services in 60 million ha of the Brazilian Amazon through the effective management of the Protected Areas supported by the ARPA Program.

The Transition Fund (FT) operates under rules established in Modules 1 and 2 of ARPA Program Operational Guide (MOP). Governance is under the responsibility of the Transition Fund Committee ("CFT") and the Fund Manager, chosen by the CFT, currently FUNBIO, to perform the acts required for FT to achieve its objective, as defined in the Program Operational Guide. The minimum funding estimate for the Transition Fund is US\$215,000.

## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### 7. Transition Fund (Continued)

#### 7.1. FT Operational Program

The inflows of funds in account 23802-3 (FT) at Banco do Brasil, in the period from January 1 to December 31, 2020 and 2019, are as follows:

| ARPA Transition Fund accounts                            | Date of cash inflow<br>in the bank | 2020          | 2019          |
|--|------------------------------------|---------------|---------------|
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 02/01/2019                         | -             | 4,000         |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 07/01/2019                         | -             | 6,000         |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 03/19/2019                         | -             | 8,000         |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 06/04/2019                         | -             | 7,500         |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 08/07/2019                         | -             | 5,000         |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 09/24/2019                         | -             | 7,000         |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 11/04/2019                         | -             | 3,000         |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 11/22/2019                         | -             | 8,000         |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 01/03/2020                         | 8,000         | -             |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 03/16/2020                         | 8,000         | -             |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 06/16/2020                         | 8,000         | -             |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 08/24/2020                         | 8,000         | -             |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 10/29/2020                         | 8,000         | -             |
| FT operational BB RJ - Ag: 3519-x C/C 23802-3 Volunteers | 12/22/2020                         | 5,060         | -             |
| <b>Total</b>   |                                    | <b>45,060</b> | <b>48,500</b> |

Bank balances at December 31, 2020 and 2019 are as follows:

| ARPA Transition Fund accounts             | 2020         | 2019         |
|---|--------------|--------------|
| Banco do Brasil - C/C 23802-3 (FT)        | -            | 1            |
| Banco do Brasil - Investment 23802-3 (FT) | 5,807        | 2,595        |
| <b>Balance at December 31</b>             | <b>5,807</b> | <b>2,596</b> |

#### 7.2. FT/BID - ATN/OC 14219-Br (SCI) and ATN/MC 14220-Br (MSC) Agreements

There were neither inflows of resources nor execution in BID SCI and MSC accounts in the period from January 1 to December 31, 2020 and 2019, therefore, the accumulated tickets are as follows:

|                               | Accumulated<br>(*) |
|-------------------------------|--------------------|
| BID - SCI                     | 11,674             |
| Yields                        | 335                |
| Financial management cost     | (51)               |
| <b>Balance at December 31</b> | <b>11,958</b>      |

(\*) The accumulated amount refers to the period from November 24, 2014 to December 31, 2020.

## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### 7. Transition Fund (Continued)

#### 7.2. FT/BID - ATN/OC 14219-Br (SCI) and ATN/MC 14220-Br (MSC) Agreements (Continued)

|                               | <u>Accumulated (*)</u> |
|-------------------------------|------------------------|
| BID - MSC                     | 2,780                  |
| Yields                        | 87                     |
| Financial management cost     | (14)                   |
| <b>Balance at December 31</b> | <b><u>2,853</u></b>    |

(\*) The accumulated amount refers to the period from December 30, 2015 to December 31, 2020.

The accumulated amounts of execution of BID operational funds per component are as follows:

| <u>ATN/OC 14219-Br - (SCI) Agreement</u>                         | <u>Accumulated (*)</u> |
|--|------------------------|
| Component 1 - BID - Critical Studies                             | 2,161                  |
| Component 2 - BID - Professional Services Management Improvement | 3,927                  |
| Component 3 - BID - Qualification                                | 2,422                  |
| Component 4 - BID - Equipment and Software                       | 2,412                  |
| Administrative costs - FUNBIO BID                                | 878                    |
| <b>Balance at December 31</b>                                    | <b><u>11,800</u></b>   |

(\*) The accumulated amount refers to the period from November 24, 2014 to December 31, 2020.

| <u>ATN/MC 14220-Br (MSC) Agreement</u>                                    | <u>Accumulated (*)</u> |
|---|------------------------|
| Component 1 - BID - Critical Studies                                      | 706                    |
| Component 2 - BID - Professional Services Management Improvement          | 969                    |
| Component 3 - BID - Qualification   | 652                    |
| Component 4 - BID - Equipment and Software                                | 670                    |
| Administrative costs - FUNBIO BID   | 330                    |
| <b>Balance at December 31</b>   | <b><u>3,327</u></b>    |
| <b>Total ATN/OC 14219-Br - (SCI) and ATN/MC 14220-Br (MSC) Agreements</b> | <b><u>15,127</u></b>   |

(\*) The accumulated amount refers to the period from December 30, 2015 to December 31, 2020.

#### 7.3. Transition fund/operational account

Inflows of funds in account 23802-3 of Banco do Brasil (FT):

|                                       | <u>2020</u>          | <u>2019</u>          | <u>Accumulated (*)</u> |
|---------------------------------------|----------------------|----------------------|------------------------|
| Transition fund - operational account | 45,060               | 48,500               | 175,660                |
| Yields                                | 111                  | 219                  | 1,161                  |
| Financial management costs            | (174)                | (180)                | (603)                  |
| <b>Total</b>                          | <b><u>44,997</u></b> | <b><u>48,539</u></b> | <b><u>176,218</u></b>  |

(\*) The accumulated amount refers to the period from November 19, 2014 to December 31, 2020.

## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### 7. Transition Fund (Continued)

#### 7.3. Transition fund/operational account (Continued)

Operational funds of FT/Operational per Framework were invested as follows:

| Framework   | 2020          | 2019          | Accumulated<br>(*) |
|---|---------------|---------------|--------------------|
| Audit or Protected Areas                                    | -             | 131           | 131                |
| Program Coordination Unit ("UPC")                           | 209           | 883           | 2,524              |
| Creation of Protected Areas - Public Hearings               | 119           | 58            | 215                |
| Creation of Protected Areas - Environmental Diagnosis       | 647           | 74            | 959                |
| Creation of Protected Areas - Land Diagnosis                | 184           | 4             | 268                |
| Creation of Protected Areas - Social and Economic Diagnosis | 570           | 77            | 894                |
| Demarcations  | 266           | 406           | 1,117              |
| Equipment   | 10,975        | 7,553         | 32,585             |
| Formation of the Board                                      | 10            | 105           | 150                |
| Operation of the Board                                      | 2,491         | 4,540         | 14,894             |
| Contingency Fund  | -             | 115           | 115                |
| Fund Manager  | 4,655         | 7,690         | 21,155             |
| ICMBio Headquarter - Territorial Consolidation              | 9             | 71            | 84                 |
| ICMBio Headquarter - PF Coordination                        | 4             | 73            | 103                |
| ICMBio Headquarter - Social and Environmental Management    | -             | 42            | 43                 |
| ICMBio Headquarter - Biodiversity Monitoring                | 494           | 1,114         | 1,608              |
| ICMBio Headquarter - Protection                             | 242           | 239           | 610                |
| Minimum facilities  | 1,429         | 1,731         | 5,943              |
| Land Survey   | 90            | 45            | 219                |
| Biodiversity Monitoring                                     | 3,486         | 4,943         | 16,534             |
| Operation   | 4,874         | 4,906         | 20,489             |
| Survey  | 424           | 644           | 2,147              |
| Handling Plan - Preparation                                 | 1,090         | 1,723         | 6,365              |
| Handling Plan - Review                                      | 461           | 321           | 2,302              |
| Protection  | 9,551         | 7,468         | 35,077             |
| Signaling   | 748           | 493           | 2,800              |
| TdC and CCDRU   | 211           | 205           | 677                |
| <b>Overall Total</b>  | <b>43,239</b> | <b>45,654</b> | <b>170,008</b>     |

(\*) The accumulated amount refers to the period from November 19, 2014 to December 31, 2020.



## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
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### 7. Transition Fund (Continued)

#### 7.4. Transition fund/Long-term fund

The Extinguishable Long-Term Transition Fund is managed by Pragma Patrimônio in its local portfolio (Brazil) and by Julius Bär in its off portfolio (international). Balances maintained in the Fund bank accounts are as follows:

| ARPA FAP/FT accounts                                | 2020           | 2019           |
|---|----------------|----------------|
| Itaú Pragma AG.4191 C/I 88475-0(FT) (a)             | 130,081        | 129,008        |
| Itaú Private C/I EFFICAX 13564-3 (FT) (a)           | 13,438         | 12,898         |
| Itaú Private C/I WORD EQUITIES FIC 13564-3 (FT) (a) | 16,157         | 2,907          |
| JULIUS Bär C/I 0600.6868 (c)                        | 610,268        | 421,377        |
| Itaú Miami c/c 6086720 e JT02183 (b)                | -              | -              |
| Itaú Pragma - 4191 89897-4 (d)                      | -              | -              |
| Itaú Private Efficax FI RF - C/C 16716-6 (d)        | -              | -              |
| <b>Total</b>  | <b>769,944</b> | <b>566,190</b> |

(a) Changes in Transition Fund balances maintained in Brazil (C/C 88475 Itaú Pragma, c/c 13564-3 Active, Efficax and World Equities FIC are as follows:

|   | 2020           | 2019           |
|---|----------------|----------------|
| <b>Balance at January 1</b>                             | 144,813        | 124,529        |
| <b>Cash inflows:</b>                                    | 5,060          | 4,063          |
| ANGLO AMERICAN  | 5,060          | 4,063          |
| Transf. of funds to Operational Transition Fund         | (45,060)       | (30,500)       |
| Transfer of funds to Itaú Private - c/16716-6           | -              | (13,733)       |
| Transfer of funds received from Itaú Pragma c/c 89897-4 | -              | 8,802          |
| Transf. of funds received from Itaú Miami               | -              | 36,670         |
| Transf. of funds received from Julius Bär               | 41,900         | -              |
| Net yields  | 15,470         | 19,273         |
| Financial management costs                              | (2,507)        | (4,291)        |
| <b>Balance at December 31</b>                           | <b>159,676</b> | <b>144,813</b> |

(b) Changes in Transition Fund balances maintained in Itaú Miami (c/c 6086720 and JT02183):

|  | 2020     | 2019     |
|--|----------|----------|
| <b>Balance at January 1</b>                    | -        | -        |
| Cash inflows - GEF                             | -        | 37,364   |
| Transfer of funds to Itaú Private - c/ 13564-3 | -        | (36,670) |
| Foreign exchange difference                    | -        | (694)    |
| Yields   | -        | -        |
| Financial management costs                     | -        | -        |
| <b>Balance at December 31</b>                  | <b>-</b> | <b>-</b> |

## Fundo Brasileiro para Biodiversidade - FUNBIO

Notes to financial information on the Amazon Region Protected Areas (ARPA) Program (Continued)  
January 1 to December 31, 2020  
(In thousands of reais, unless otherwise stated)

### 7. Transition Fund (Continued)

#### 7.4. Transition fund/Long-term fund (Continued)

(c) Changes in Transition Fund balances maintained in Julius Bär (0600.6868):

|   | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
| <b>Balance at January 1</b>                 | 421,377        | 333,321        |
| Transfer of funds to Itaú Pragma c/ 88475-0 | (41,900)       | -              |
| Yields                                      | 123,580        | 62,930         |
| Foreign exchange difference                 | 107,211        | 25,126         |
| Financial management costs                  | -              | -              |
| <b>Balance at December 31</b>               | <b>610,268</b> | <b>421,377</b> |

(d) Changes in Transition Fund balances (FAP KfW) - maintained in Itaú (Pragma - 4191 89897-4 and Itaú Private Efficax FI RF - C/C 16716-6):

|   | <b>2020</b> | <b>2019</b> |
|---|-------------|-------------|
| <b>Balance at January 1</b>                                   | -           | 12,238      |
| Transfer of funds received from Itaú Private - c/13564-3      | -           | 13,733      |
| Transfer of funds to Itaú Pragma c/c 88475-0                  | -           | (8,802)     |
| Transfer of funds to Operational Transition Fund c/BB 23802-3 | -           | (18,000)    |
| Financial management costs                                    | -           | 577         |
| Yields  | -           | 254         |
| <b>Balance at December 31</b>                                 | <b>-</b>    | <b>-</b>    |

The investments of the Funds managed by FUNBIO, through Pragma Patrimônio, are diversified short- and long-term investments, from 1 to 8 years, with liquidity ranging from D+1 to D+ 180 days. These funds are invested in Government Securities - National Treasury Notes (NTN-Bs), local and international variable income, Hedge Fund, Fixed income Low Vol and fixed/inflation rate.



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## **Independent auditor's report on compliance with the accounting and financial contractual provisions of Amazon Region Protected Areas (ARPA) Program**

To the Management of  
**Fundo Brasileiro para a Biodiversidade - FUNBIO**  
Amazon Region Protected Areas (ARPA) Program  
Rio de Janeiro - Rio de Janeiro State

We have audited the financial information on the Amazon Region Protected Areas (ARPA) Program (the "Program" or "Project"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Institution"), funded by various institutes and entities (the "Donors"), for the period from January 1 to December 31, 2020, and issued our report thereon dated June 02, 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 understand that our audit provides a reasonable base for our opinion.

In our opinion, as at December 31, 2020, FUNBIO complied with, in all significant respects, the contractual provisions applicable, of an accounting and financial nature, of the Donation Agreements entered into with the donors.

Rio de Janeiro, June 02, 2021.

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

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



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## **Independent auditor’s report on the internal control structure of Amazon Region Protected Areas (ARPA) Program**

To the Management of  
**Fundo Brasileiro para a Biodiversidade - FUNBIO**  
Amazon Region Protected Areas (ARPA) Program  
Rio de Janeiro - Rio de Janeiro State

This report supplements our report on the financial information on the Amazon Region Protected Areas (ARPA) Program.

Management of Fundo Brasileiro para a Biodiversidade - FUNBIO (the “Institution”), Executing Institution of the Amazon Region Protected Areas (ARPA) Program (the “Program” or “Project”), 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 Program, 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 Program’s financial information for the period from January 1 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 Program’s financial information, but not to issue an opinion on the effectiveness of the internal control structure.

Our audit of the Amazon Region Protected Areas (ARPA) Program for the period from January 1 to December 31, 2020 identified no significant deficiencies in internal control design or operation which could, in our opinion, significantly affect FUNBIO ability to record, process, summarize and present 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 Program'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, June 02, 2021.

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



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