

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

Period from January 1 to December 31, 2023
with the independent auditor's report on the financial information of Global
Fund for Coral Reefs Multi-Partner Trust Fund (GFCR Agency)

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information of GFCR Agency

Period from January 1 to December 31, 2023

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A free translation from Portuguese into English of Independent Auditor’s Report on the 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 of GFCR Agency

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

Opinion

We have audited the financial information of Global Fund for Coral Reefs Multi-Partner Trust Fund (“GFCR Agency” or “GFCR”), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the “Entity”), funded with resources from the United Nations Development Programme (UNDP), a subsidiary body of the United Nations established by the United Nations General Assembly, for the period from January 1 to December 31, 2023, as well as the corresponding notes to the financial statements, including a summary of material accounting policies and other explanatory information.

In our opinion, the accompanying Financial Information of GFCR Agency for the period from January 1 to December 31, 2023 was 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 “Auditor’s 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 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 this 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 Entity management and the GFCR Agency funders, 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 GFCR Agency'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 GFCR Agency, or has no realistic alternative but to do so.

Those charged with governance of the GFCR Agency 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 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 the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of the audit conducted in accordance with the Brazilian and International Standards on Auditing, and the specific audit requirements set out in the clauses of the financial contribution agreement of United Nations Development Programme (UNDP), a subsidiary body of the United Nations established by the United Nations General Assembly, 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.



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- 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 GFCR Agency'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 future conditions may cause the GFCR Agency to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying 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 we identify during our audit.

Rio de Janeiro, May 29, 2024.

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

A handwritten signature in blue ink, appearing to read 'Felipe Vergete', is written over the printed name.

Felipe Sant'Anna Vergete
Accountant CRC-RJ106842/O

A free translation from Portuguese into English of 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 of GFCR Agency
 Period from January 1 to December 31, 2023
 (In thousands of reais, unless otherwise stated)

Changes in funds of GFCR Agency in the period from January 1 to December 31, 2023 and 2022 are as follows:

	Notes	2023	2022	Accumulated (*)
Project balance at beginning of period		544	-	-
Cash inflows		-	520	520
Financial investment yields, net (**)	3	42	27	69
Finance costs	3	-	(3)	(3)
Funds executed	4	(205)	-	(205)
Transfers (FUNBIO revenue)	4	(144)	-	(144)
Project balance at end of period	3	237	544	237

(*) The accumulated amount refers to the period from January 1, 2022 to December 31, 2023.

(**) This amount refers to financial investment yield, net of income tax to be withheld upon redemption by Funbio.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of GFCR Agency
Period from January 1 to December 31, 2023
(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.

In 2022, the United Nations Development Programme (UNDP), a subsidiary body of the United Nations established by the United Nations General Assembly, and Funbio, entered into the Financing Agreement. The purpose of the Our Coral Program is to recover and conserve the unique formations of Brazilian coral reefs, so that they continue to provide ecosystem services to the communities that depend on them. This will be achieved through the mobilization of financial resources, multi-stakeholder coordination, system research and monitoring, and a new vision that strengthens the economic benefits of coral reef conservation.

2. Material accounting practices

Basis of preparation and general information

This financial information has been prepared based on the cash receipt and disbursement 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.

This 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 May 29, 2024.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of GFCR Agency (Continued)
Period from January 1 to December 31, 2023
(In thousands of reais, unless otherwise stated)

3. Funds available

From January 1 to December 31, 2023, the balance remaining in the checking account is as follows:

GFCR Agency - PPG - Our Coral Program

<u>Description</u>	<u>Type</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
Banco do Brasil - CDB 26718-X	Financial investments	237	544

In the period from January 1 to December 31, 2023, financial investment yields totaled R\$42 (2022 - R\$27), and there were no financial expenses (2022 - 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.

4. Funds executed

The execution of the funds from the GFCR Agency, in the period from January 1 to December 31, 2023, is presented below:

	<u>2023</u> <u>(in USD)</u>	<u>Quotation (*)</u>	<u>2023</u> <u>(in R\$)</u>
Project execution	39	5.201	205
Total of funds executed	39		205
Funbio Personnel Cost (**)	28	5.201	144
Total Transfers (FUNBIO revenue)	67		349

(*) The quote presented is the average of all quotes, according to the date of the advance from Funbio and the reimbursements made by the donor during the expenditure execution, resulting in rounding of values in the presentation of the quote for the dollar.

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



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

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

We have audited the financial information of Global Fund for Coral Reefs Multi-Partner Trust Fund ("GFCR Agency" or "GFCR"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Entity"), funded with resources from the United Nations Development Programme (UNDP), a subsidiary body of the United Nations established by the United Nations General Assembly, for the period from January 1 to December 31, 2023, and issued our report thereon dated May 29, 2024.


Our audit was focused on checking whether the contractual provisions directly related to accounting and financial matters of GFCR Agency have been appropriately complied with.

We conducted our audit in accordance with the International Standards on Auditing and the requirements of GFCR agreed with the United Nations Development Programme (UNDP). These standards require that we plan and conduct the audit in order to obtain reasonable certainty that FUNBIO has complied with the provisions regarding GFCR Agency agreed with the United Nations Development Programme (UNDP). The audit includes review, on a sample basis, of the evidence deemed appropriate by us. Accordingly, we believe that our audit provides a reasonable basis for our opinion.

In our opinion, in the period from January 1 to December 31, 2023 FUNBIO complied, in all significant respects, with the contractual provisions applicable, of an accounting and financial nature, of GFCR Agency agreed with the United Nations Development Programme (UNDP).

Rio de Janeiro, May 29, 2024.

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


Felipe Sant' Anna Vergete
Accountant CRC-RJ106842/O



Independent auditor’s report on the internal control structure of GFCR Agency

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

This report supplements our report on the financial information of Global Fund for Coral Reefs Multi-Partner Trust Fund (“GFCR Agency” or “GFCR”).

The management of Fundo Brasileiro para a Biodiversidade - FUNBIO, manager of GFCR Agency, is responsible for maintaining an internal control structure sufficient to mitigate the risks of material misstatement in the financial information and protect the assets under custody of the Projects, 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 assessment of the structure of future periods are subject to the risk that the procedures could prove inadequate due to changes in conditions, or that the effectiveness of the design and operation of the policies and procedures could deteriorate.

In planning and conducting our audit of the financial information of GFCR Agency for the period from January 1 to December 31, 2023, we obtained an understanding of the internal control structure and assessed the risk of control to determine our audit procedures, in order to express an opinion on the financial information on the Projects, but not to issue an opinion on the effectiveness of the internal control structure.

Our audit of the GFCR Agency for the period from January 1 to December 31, 2023 revealed no significant deficiencies in the design or operation of internal controls that, in our opinion, could significantly affect FUNBIO’s ability to record, process, summarize and report financial information consistently with management’s representations in the financial information of funds received, disbursements made, and accumulated investments.

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



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

Rio de Janeiro, May 29, 2024.

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

A handwritten signature in blue ink, reading 'Felipe Vergete', written in a cursive style.

Felipe Sant' Anna Vergete
Accountant CRC-RJ106842/O