

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

From January 1 to December 31, 2023
with Independent Auditor's Report on Financial Information on the
Amazon Region Protected Areas (ARPA) Program

Fundo Brasileiro para a Biodiversidade - FUNBIO

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

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

To the
Executive Office and the Board of Directors of
Fundo Brasileiro para a Biodiversidade - FUNBIO
ARPA Program
Rio de Janeiro - Rio de Janeiro State

Opinion

We have audited the financial information on the Amazon Region Protected Areas (ARPA) Program ("Project or "ARPA"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO ("Entity"), financed with funds from various institutes and entities ("Donor"), as described in Note 1, 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 Project' Financial Information 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 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Entity and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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

We draw attention to Note 2 to the financial information, which describes the accounting basis of 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 intended solely for use and information by the Entity's executive board and Project funders, and should not be distributed or used by other parties. Our opinion is not modified in respect of this matter.

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

Management is responsible for preparing the financial information in accordance with the contracts entered into between the parties and with the cash receipt and disbursement basis of accounting described in Note 2, and for the internal controls as management determines is necessary to enable the preparation of the financial information that is free from material misstatement, whether due to fraud or error.

In preparing the financial information, management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Project or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole 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 from various institutes and entities ("Donor"), as described in Note 1, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:



- Identified and assessed risks of material misstatements of the financial information, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or future conditions may cause the Project 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


Felipe Sant'Anna Vergete
Accountant CRC-RJ106842/O

A free translation from Portuguese into English of 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

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on the Amazon Region Protected Areas (ARPA) Program
From January 1 to December 31, 2023
(In thousands of reais, unless otherwise stated)

Changes in funds of the Amazon Region Protected Areas (ARPA) Program - Transition Fund, in the period from January 1 to December 31, 2023 are as follows:

	Notes	2023	2022	Accumulate amount (**)
Project balance at beginning of period		655,579	888,995	-
Funds received		-	-	390,098
Total finance income (costs) on investments (*)	3	72,866	(129,564)	360,759
Foreign exchange differences	3	(35,663)	(49,292)	203,145
Internal transfers	4	(66,663)	(54,560)	(327,883)
Project balance at end of period	3	626,119	655,579	626,119

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

(**) The accumulated amount refers to the period from October 1, 2010 to December 31, 2023.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on the Amazon Region Protected Areas (ARPA) Program
From January 1 to December 31, 2023
(In thousands of reais, unless otherwise stated)

Changes in funds of the Amazon Region Protected Areas (ARPA) Program - Transition Fund, in the period from January 1 to December 31, 2023 and 2022 are as follows:

	Notes	2023	2022	Accumulate amount (**)
Project balance at beginning of period		2,934	2,056	-
Total finance income (costs) on investments (*)	3	400	352	1,338
Finance costs	3	(369)	(354)	(721)
Funds executed	5	(61,713)	(53,526)	(320,341)
Internal transfers	4	66,663	54,560	327,883
Advance		263	(81)	14
Other adjustments		18	(73)	23
Project balance at end of period	3	8,196	2,934	8,196

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

(**) The accumulated amount refers to the period from October 1, 2010 to December 31, 2023.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on Project ARPA
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.

ARPA program is the largest tropical forest protection initiative in the world. The Transition Fund (FT) emerged from Arpa for Life initiative, 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.

FUNBIO is the program's financial manager, and conducts the procurement and engagement activities for the Protected Areas, and the Fund's asset management, which 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.

Donors

The resources donated to the Transition Fund, administered by FUNBIO through Asset Managers Pragma Patrimônio and Julius Bär, included funds from the Amazon Region Protected Areas Fund ("FAP"), 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), and from Global Environment Facility through World Bank.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on Project ARPA (Continued)
Period from January 1 to December 31, 2023
(In thousands of reais, unless otherwise stated)

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.

3. Funds available

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

ARPA Transition Fund - Operational

<u>Description</u>	<u>Type</u>	<u>12/31/2023</u>	<u>12/31/2022</u>
Banco do Brasil - 23.802-3	Checking account	1	3
Banco do Brasil - 23.802-3	Financial investment	8,195	2,931
		<u>8,196</u>	<u>2,934</u>

In the period from January 1 to December 31, 2023, net financial investment yield totaled R\$400 (2022 - R\$352) and finance costs amounted to R\$369 (2022 - R\$354).

Investments in Bank Deposit Certificates (CDB) comprise securities remunerated from 96% to 99% of the Interbank Deposit Certificate (CDI) variation, which may be redeemed in up to 60 months and pose insignificant risk of reduction in value. Investments are held with first-tier financial institutions.

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Notes to the financial information on Project ARPA (Continued)
Period from January 1 to December 31, 2023
(In thousands of reais, unless otherwise stated)

3. Funds available (Continued)

ARPA Transition Fund

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

Description	Type	12/31/2023	12/31/2022
Itaú PVT - 13564-3	Checking account	1	3
Itaú Pragma - Sumauma 88475-0	Financial investment	111,749	98,665
Itaú Private - EFFICAX 13564-3	Financial investment	31,858	29,003
Itaú Pragma - HONOR MASTER 88475-0	Financial investment	10,407	8,341
Itaú Pragma - LIBER 88475-0	Financial investment	9,024	7,927
JULIUS Bär - 0600.6868	Financial investment	444,678	511,640
JULIUS Bär - 0600.6868 (*)	In-transit funds	18,402	-
		<u>626,119</u>	<u>655,579</u>

(*) Aiming to align with the Investment Policy and to ensure the availability of resources for the next four years in the FT Local account managed by Pragma, on November 21, 2023, a transfer of USD 3,771 was made from the FT OFF account at Bank Julius Baer & Co. to the FT Local account, with an exchange rate of BRL 4.88, totaling R\$18,402. However, the full amount was only transferred to the FT Local account on January 25, 2024.

In the period from January 1 to December 31, 2023, net financial investment cost totaled R\$72,866 (2022 – (R\$129,564)) and foreign exchange losses totaled R\$35,663 (2022 - R\$49,292).

The investments of the Transition Fund, managed by FUNBIO, through Pragma Patrimônio and Julius Bär, 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, equities, hedge funds, low vol fixed income, and fixed income/inflation-indexed securities.

4. Internal transfers of funds in the period

Total internal transfers between projects in the period from January 1 to December 31, 2023 were as follows:

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Notes to the financial information on Project ARPA (Continued)
 Period from January 1 to December 31, 2023
 (In thousands of reais, unless otherwise stated)

4. Internal transfers of funds in the period (Continued)

	2023	Date of internal transfer in the Bank
ARPA Transition Fund - Operational – 23.802-3	7,665	01/12/2023
ARPA Transition Fund - Operational – 23.802-3	7,686	03/09/2023
ARPA Transition Fund - Operational – 23.802-3	7,529	04/26/2023
ARPA Transition Fund - Operational – 23.802-3	7,559	05/31/2023
ARPA Transition Fund - Operational – 23.802-3	7,107	06/26/2023
ARPA Transition Fund - Operational – 23.802-3	7,073	07/25/2023
ARPA Transition Fund - Operational – 23.802-3	7,508	09/27/2023
ARPA Transition Fund - Operational – 23.802-3	14,536	11/28/2023
Total internal transfers ARPA Transition Fund - Operational	66,663	
ARPA Transition Fund - Julius Baer - 0600.6868	(7,665)	01/12/2023
ARPA Transition Fund - Julius Baer - 0600.6868	(7,686)	03/09/2023
ARPA Transition Fund - Julius Baer - 0600.6868	(7,529)	04/26/2023
ARPA Transition Fund - Julius Baer - 0600.6868	(7,559)	05/31/2023
ARPA Transition Fund - Julius Baer - 0600.6868	(7,107)	06/26/2023
ARPA Transition Fund - Julius Baer - 0600.6868	(7,073)	07/25/2023
ARPA Transition Fund - Julius Baer - 0600.6868	(7,508)	09/27/2023
ARPA Transition Fund - Julius Baer - 0600.6868	(14,536)	11/28/2023
Total internal transfers ARPA Transition Fund	(66,663)	

5. Execution of funds

Changes in funds of the Amazon Region Protected Areas (ARPA) Program, in the period from January 1 to December 31, 2023 are as follows:

Framework	2023	2022	Accumulated (*)
Audit or Protected Areas	39	347	678
Coordination	6,554	1,001	10,576
Creation of Protected Areas - Public Hearings	39	(1)	499
Creation of Protected Areas - Environmental Diagnosis	83	301	1,366
Creation of Protected Areas - Land Diagnosis	238	4	611
Creation of Protected Areas - Social and Economic Diagnosis	496	437	1,881
Demarcations	558	244	2,141
Equipment	6,279	9,593	53,347
Formation of the Board	217	47	418
Operation of the Board	5,178	4,406	27,201
Contingency Fund	-	(4)	162
Fund Manager	7,506	4,487	37,879
ICMBio Headquarter - Territorial Consolidation	-	166	262
ICMBio Headquarter - PF Coordination	27	429	581
ICMBio Headquarter - Social and Environmental Management	86	143	283
ICMBio Headquarter - Biodiversity Monitoring	277	215	2,179
ICMBio Headquarter - Protection	252	103	1,118
Minimum facilities	1,762	1,483	10,141
Land Survey	302	219	898
Biodiversity Monitoring	4,955	4,567	30,101
Operation	11,872	9,923	47,580
Survey	486	396	3,506
Handling Plan - Preparation	729	1,005	8,716
Handling Plan - Review	2,487	981	6,157
Protection	10,192	11,947	65,716
Signaling	853	796	4,979
TdC and CCDRU	246	291	1,354
Other	-	-	11
Grand total	61,713	53,526	320,341

(*) The accumulated amount refers to the period from October 1, 2010 to December 31, 2023.

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

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

We have audited the financial information for the period from January 1 to December 31, 2023 on the Amazon Region Protected Areas (ARPA) Program (the "Project" or "ARPA"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Entity"), funded with funds from various institutes and entities (the "Donors"), 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 the ARPA Project have been appropriately complied with.

We conducted our audit in accordance with the International Standards on Auditing and the requirements set out in the financial contribution agreement with various sponsors. These standards require that we plan and conduct the audit in order to obtain reasonable assurance that FUNBIO has complied with the clauses set out in the financial contribution agreement with various sponsors. The audit includes review, on a test 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 material respects, with the applicable contractual provisions, of an accounting and financial nature, of the financial contribution agreement entered into with various sponsors.

Rio de Janeiro, May 29, 2024.

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



Felipe Pant Anna Vergete
Accountant CRC-RJ106842/O

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

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

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

The executive board of Fundo Brasileiro para a Biodiversidade - FUNBIO, manager of the Projects, 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 Project, including the areas constructed and other assets acquired. In order to fulfill this responsibility, the executive board is required to make judgments and estimates to evaluate the expected benefits and costs of the internal control policies and procedures. The objectives of an internal control system are to provide the executive board with reasonable, but not absolute, assurance that assets are protected against losses arising from unauthorized use or disposals, that transactions are carried out in accordance with the executive board's authorizations and agreement terms, and that they are properly recorded to allow the preparation of reliable financial information. 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 on the Project 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 Project, but not to issue an opinion on the effectiveness of the internal control structure.

Our audit of the Project 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 the executive board'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 Project, and that could not be detected on a timely basis by FUNBIO employees in the normal course of the duties assigned thereto.

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

Rio de Janeiro, May 29, 2024.

ERNST & YOUNG
Auditores Independentes S.S. Ltda.
CPC-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