

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

From January 1, 2022 to December 31, 2022
with Independent Auditor's Report on the Financial Information of
Project "Implementation of the GCF Task Force roadmaps in
Brazil"

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information of Project “Implementation of the GCF Task Force roadmaps in Brazil”

From January 1, 2022 to December 31, 2022

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A free translation from Portuguese into English of Independent Auditor's Report on financial information prepared in Brazilian currency

Independent auditor's report on the financial information of Project "Implementation of the GCF Task Force roadmaps in Brazil"

The Executive Secretary and the Board of Directors
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project "Implementation of the GCF Task Force roadmaps in Brazil"
Rio de Janeiro - RJ

Opinion

We have audited the Financial Information of Project Implementation of the GCF Task Force roadmaps in Brazil ("Project"), managed by Fundo Brasileiro para a Biodiversidade – FUNBIO (the "Institution"), financed with funds from the agreement for financial support from the Norwegian Agency for Development Cooperation, in the period from January 1, 2022 to December 31, 2022, and notes to the financial information, including a summary of significant accounting policies.

In our opinion, the Financial Information referred to above presents fairly, in all material respects, the receipts and disbursements for the period from January 1, 2022 to December 31, 2022, in accordance with the contract entered into by and between the parties, and the cash receipts and disbursements 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 Institution and comply 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 2 to the Project's Financial Information, which describes the basis of preparation and presentation of this Financial Information, prepared to assist FUNBIO in reporting the funds received and used in the abovementioned project. Consequently, the Projects' Financial Information may not be appropriate for other purposes. 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 cash receipts and disbursements method of accounting described in Note 2, which includes determining that the referred to base is acceptable for the preparation of the Financial Information under the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial information that is free of material misstatement, whether due to fraud or error.

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

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

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 of 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 agreement for financial support from the Norwegian Agency for Development Cooperation, we exercised professional judgment and maintained 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 Institution's internal control.

- 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 Projects' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Projects' to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial information, including the disclosures, and whether it represents the corresponding transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

Rio de Janeiro, April 28, 2023.

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



Beatriz Gonçalves de Moraes Nicolaci
Contador CRC- RJ091370/O

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on Project "Implementation of the GCF Task Force roadmaps in Brazil"

From January 1, 2022 to December 31, 2022

(In thousands of reais, unless otherwise stated)

Changes in the funds of Project "Implementation of the GCF Task Force roadmaps in Brazil", in phases 2 and 3 for the period from January 1, 2022 to December 31, 2022 are as follows:

	Notes	GCF Task Force II 2022	GCF Task Force II 2021	GCF Task Force III 2022	GCF Task Force III 2021
Project balance at beginning of period		6,786.28	-	-	-
Funds received and transferred	4	1,128,743.33	201,715.54	-	-
Advances Funbio	4	540,000.00	630,000.00	523,751.70	-
Net finance income (*)	3	6,495.36	1,940.71	7,897.47	-
Bank fees	3	(7,128.78)	(2,799.82)	(458.05)	-
Execution	5	(512,595.81)	(824,070.15)	(299,609.14)	-
Funbio Reimbursement	4	(1,162,300.38)	-	-	-
Project balance at end of period	3	-	6,786.28	231,581.98	-

(*) The amount refers to finance income from the short-term investment, 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 Project "Implementation of the GCF Task Force roadmaps in Brazil"
From January 1, 2022 to December 31, 2022
(In thousands of reais, unless otherwise stated)

1. Operations

Fundo Brasileiro Para a Biodiversidade (FUNBIO) is a Brazilian private not-for-profit 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, 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. Since the beginning of its activities in 1996, FUNBIO has supported 306 programs and projects, benefiting 255 institutions across the country and 350 Protected Areas. Funbio is accredited as an implementing agency for GEF - Global Environment Facility and for GCF - Green Climate Fund.

The project GCF Task Force is part of an international program intended to enhance discussions on climate and forest issues. In Brazil, the Governors' Climate and Forests Task Force (GCF Task Force) aims to support the Forum of Environmental Secretaries, with representatives of the 9 states in the Legal Amazon, in the development of a state cooperation mechanism for the design and implementation of initiatives and actions intended to reduce carbon emissions. The actions are coordinated by the University of Colorado (USA), which is responsible for the Global Secretariat. The project's main goals are:

- (i) Political, financial and technical alignment at the national and subnational levels to reduce deforestation.
- (ii) Support to states in accessing the emissions market, focusing on REDD+ Standards.
- (iii) Increased visibility of regional demand at the international level, aiming to explore financing opportunities and joint actions.
- (iv) Preparation of an Action Plan focused on value chains.
- (v) Preparation of proposals for bioeconomy.
- (vi) Strengthening the partner network, with the establishment of the Regional Committee and the Indigenous Peoples Advisory Group.

The third phase of the GCF Task Force was signed under contract with the University of California on November 29, 2022.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project "Implementation of the GCF Task Force roadmaps in Brazil"
(Continued)

From January 1, 2022 to December 31, 2022
(In thousands of reais, unless otherwise stated)

2. Significant accounting practices

Basis of preparation and general information

The financial information on Project has been prepared on the cash receipts and disbursements basis of accounting, whereby revenues are recorded upon receipt of funds (resources) and expenses are recognized when they effectively represent expenses paid in cash. This accounting practice differs from the accounting practices applicable in Brazil, which establish that transactions must be recorded to the extent that they are incurred rather than when paid.

These financial statements are presented in Brazilian reais (R\$), which is the Company's functional currency. All financial information presented in Brazilian reais, unless otherwise stated

The Project's financial information was approved for issue by Funbio's Executive Board on April 28, 2023.

3. Funds available

From January 1, 2022 to December 31, 2022, the balances in checking accounts are broken down as follows:

GCF Task Force II

<u>Description</u>	<u>Type</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Banco do Brasil - 26.040-1 - C/C	Checking account	-	6,786.28

In the period from January 1, 2022, to December 31, 2022, short-term investment income totaled R\$6,495.36 (2021 - R\$1,940.71) and the bank fees totaled R\$7,128.78 (2021 - R\$2,799.82).

GCF Task Force III

<u>Description</u>	<u>Type</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Banco do Brasil - 27.137-3 - C/C	Checking account	645.42	-
Banco do Brasil - 27.137-3 - CDB	Aplicação financeira	230,936.56	-
Total cash and cash equivalents		231,581.98	-

In the period from January 1, 2022, to December 31, 2022, short-term investment income totaled R\$7,897.47 and the bank fees totaled R\$458.05.

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Notes to financial information of Project “Implementation of the GCF Task Force roadmaps in Brazil”
(Continued)

From January 1, 2022 to December 31, 2022

(In thousands of reais, unless otherwise stated)

3. Funds available (Continued)

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

4. Funds received and transferred - “GCF TASK FORCE”

From January 1, 2022 to December 31, 2022, disbursements made by the donor totaled R\$1,128,743.33, recorded in Brazilian currency (reais), as follows:

GCF TASK FORCE	Amounts in USD	Exchange rate	Amounts in R\$	Date of receipt of the funds in the bank
1 st reimbursement	115,501.66	4.7005	542,915.55	04/08/2022
2 nd reimbursement	37,281.58	5.1170	190,769.84	06/20/2022
3 rd reimbursement	72,707.82	5.4335	395,057.94	07/20/2022
	<u>225,491.06</u>		<u>1,128,743.33</u>	

From January 1, 2022 to December 31, 2022, R\$1,063,751.70 was deposited as an advance by Funbio in checking account No. 26040-1 e 27137-3 in Brazil, as follows:

GCF TASK FORCE	Amounts in USD	Exchange rate	Amounts in R\$	Date of receipt of the funds in the bank
1 st advance Funbio	56,894.69	5.2729	300,000.00	02/09/2022
2 nd advance Funbio	48,400.76	4.9586	240,000.00	05/18/2022
3 rd advance Funbio	30,895.19	5.1788	160,000.00	09/13/2022
4 th advance Funbio	49,643.26	5.1405	255,191.20	10/04/2022
5 th advance Funbio	4,562.54	5.2691	24,040.50	10/18/2022
6 th advance Funbio	15,797.54	5.3502	84,520.00	11/25/2022
	<u>206,193.98</u>		<u>1,063,751.70</u>	

The project is operationalized by reimbursement, then Funbio makes advances to the project account for the fulfillment of financial obligations and then performs accountability for the donor who makes the reimbursement of the amount rendered accounts back to Funbio.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “Implementation of the GCF Task Force roadmaps in Brazil”
(Continued)

From January 1, 2022 to December 31, 2022

(In thousands of reais, unless otherwise stated)

5. Fund execution - “GCF TASK FORCE”

The execution of funds of Project “Implementation of the GCF Task Force roadmaps in Brazil”, from January 1, 2022 to December 31, 2022, is as follows:

	2022 (in USD)	Exchange rate (*)	2022 (in R\$)
Direct Costs - GCF Task Force II	92,856.72	4.713626	437,691.85
Direct Costs - GCF Task Force III	59,023.53	5.0760966	299,609.14
Total funds executed	151,880.25		737,300.99
Indirect Costs - Transfers (Funbio revenue)	15,200.09	4.927863	74,903.96
Total Direct and Indirect Costs	167,080.34		812,204.95

(*) This is the average quotation of all daily quotations used, based on the date of cash outflow to execute the expense, with rounding of the amounts in US dollar.

Independent auditor’s limited assurance report on compliance with the accounting and financial contractual provisions of Project “Implementation of the GCF Task Force roadmaps in Brazil”

The Executive Secretary and the Board of Directors
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project “Implementation of the GCF Task Force roadmaps in Brazil”
Rio de Janeiro - RJ

We have audited the Financial Information of Project Implementation of the GCF Task Force roadmaps in Brazil (“Project”), managed by Fundo Brasileiro para a Biodiversidade – FUNBIO (the “Institution”), financed with funds from the agreement for financial support from the Norwegian Agency for Development Cooperation, in the period from January 1, 2022 to December 31, 2022, and issued a report thereon, dated April 28, 2023.

Our purpose of our audit was to verify the proper compliance with contractual provisions directly related to accounting and financial matters of the Project Implementation of the GCF Task Force roadmaps in Brazil.

We conducted our audit in accordance with international auditing standards and the requirements of the agreement entered into between the Institution and the Norwegian Agency for Development Cooperation. These standards require the due planning and performance of the audit so that we can obtain reasonable assurance that FUNBIO has complied with the provisions of the agreement entered into between the Institution and the Norwegian Agency for Development Cooperation. The audit includes an examination, on a sampling basis, of the evidence we believe to be appropriate. Therefore, we consider that our audit provides a reasonable basis for our opinion.

In our opinion, from January 1, 2022 to December 31, 2022, FUNBIO complied, in all substantial aspects, with the applicable contractual provisions, of an accounting and financial nature, of the agreement entered into between the Institution and the Norwegian Agency for Development Cooperation.

Rio de Janeiro, April 28, 2023

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



Beatriz Gonçalves de Moraes Nicolaci
Contador CRC- RJ091370/O

Independent Auditors' Assurance Report on the description, design and effectiveness of operational controls applied in project “Implementation of the GCF Task Force roadmaps in Brazil”

The Executive Secretary and the Board of Directors
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project “Implementation of the GCF Task Force roadmaps in Brazil”
Rio de Janeiro - RJ

This report supplements our report on the financial information of Project Implementation of the GCF Task Force roadmaps in Brazil (“Project”).

Management of Fundo Brasileiro para Diversidade - FUNBIO, manager of Project Implementation of the GCF Task Force roadmaps in Brazil (“Project”), is responsible for maintaining an internal control structure sufficient to mitigate the risks of material misstatement of the financial information and protecting the assets under the Project's custody, including the constructed works and other acquired items. In order to fulfill this responsibility, management is required to make judgments and estimates to assess the expected benefits and costs related to the policies and procedures of the internal control system. The objectives of an internal control system are to provide management 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 management's authorizations and agreement terms and that they are properly recorded to allow the preparation of reliable accounting information. Given the inherent limitations of any internal control system, errors or irregularities may occur and not be detected. 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 carrying out our audit of the Project's financial information for the period from January 1, 2022 to December 31, 2022, we obtained an understanding of the internal control structure and assessed the control risk to design audit procedures for the purpose of expressing an opinion on the Project's financial information, and not on the effectiveness of the internal control structure.

Our audit of the Project Implementation of the GCF Task Force roadmaps in Brazil for the period from January 1, 2022 to December 31, 2022 did not reveal any significant deficiencies in the design or operation of internal controls that could, in our opinion, significantly affect FUNBIO's ability to record, process, summarize and present financial information consistent with management's assertions in the statements of funds received and disbursements made, as well as of 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, April 28, 2023.

ERNST & YOUNG
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CRC- SP015199/F


Beatriz Gonçalves de Moraes Nicolaci
Contador CRC- RJ091370/O