



Fundo Brasileiro para a Biodiversidade  
Independent Auditor's Report and  
Financial Statements

At December 31, 2016



# Grant Thornton

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# Independent Auditor's Report

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To the Management and Board Members of  
**Fundo Brasileiro para a Biodiversidade - FUNBIO**  
Rio de Janeiro - RJ

## Opinion

We have audited the financial statements of **Fundo Brasileiro para Biodiversidade - FUNBIO** ("Entity"), which comprise the statement of financial position at December 31, 2016, the statement of surplus or deficit, statement of changes in equity, and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Fundo Brasileiro para Biodiversidade - FUNBIO** as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to non-profit entities.

## Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Entity in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Board (CFC), and we have fulfilled our other ethical responsibilities in accordance with those standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Other matters

### Restatement of the prior year figures

As mentioned in Note 6.13, the corresponding figures for the year ended December 31, 2015, presented for comparison purposes, have been adjusted and are being restated as laid down in Technical Pronouncements CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors and CPC 26 (R1) – Presentation of Financial Statements. As part of our audit of the financial statements for the year ended December 31, 2016, we have also examined the adjustments described in Note 6.13 that were made to restate the financial statements at December 31, 2015. In our opinion, these adjustments are appropriate and have been correctly made. Our opinion is not modified in respect of this matter.



## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil applicable to non-profit entities, and for such internal control as it determined as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with the Entity's governance are responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 these financial statements.

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:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit 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.
- Obtain 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- We conclude 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 Entity'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



statements 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 the Entity to cease to continue as a going concern.

- Evaluate 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, April 27, 2017

A handwritten signature in blue ink that reads "Ana Cristina Linhares Areosa".

Ana Cristina Linhares Areosa

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CRC 2SP-025.583/O-1 "S" - RJ

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## STATEMENTS OF FINANCIAL POSITION AT DECEMBER 31, 2016 AND 2015

(Amounts expressed in thousands of reais - R\$)

### ASSETS

	<u>Notes</u>	<u>12/31/2016</u>	<u>12/31/2015</u> (Restated)
<b>Current assets</b>			
Cash and cash equivalents	8	2.532	1.425
Funds related to projects	8	308.432	238.338
Funds related to GEF Agency - Projects	8 and 13	563	-
Funds related to GEF Agency - FUNBIO	8 and 13	1.663	-
Project advances - GEF Agency	13	400	-
Amounts in transit	8	524	3.688
Others		749	252
<b>Total current assets</b>		<u>314.863</u>	<u>243.703</u>
<b>Noncurrent assets</b>			
Funds related to projects	8	397.408	287.143
Funds related to FRF - Resources Fund - FUNBIO	14	20.585	17.245
Property and equipment	9	766	755
<b>Total noncurrent assets</b>		<u>418.759</u>	<u>305.143</u>
<b>Total assets</b>		<u><u>733.622</u></u>	<u><u>548.846</u></u>

The accompanying notes are an integral part of these financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of financial position at December 31, 2016 and 2015

(Amounts expressed in thousands of reais - R\$)

### LIABILITIES AND EQUITY

	<u>Notes</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
<b>Current liabilities</b>			<b>(Restated)</b>
Trade payables	10	363	85
Payroll and related taxes	11	1.999	1.710
Taxes and fees		148	161
Funds related to projects from third parties	12	308.309	241.590
GEF Agency Projects	13	963	-
GEF Agency FUNBIO	13	1.663	-
Other payables		128	117
<b>Total current liabilities</b>		<u>313.573</u>	<u>243.663</u>
<b>Noncurrent liabilities</b>			
Funds related to projects from third parties	12	397.408	287.143
<b>Total noncurrent liabilities</b>		<u>397.408</u>	<u>287.143</u>
<b>Equity</b>			
FUNBIO Resources Fund	14	20.585	17.245
Accumulated surplus		2.056	795
<b>Total equity</b>		<u>22.641</u>	<u>18.040</u>
<b>Total liabilities and equity</b>		<u><u>733.622</u></u>	<u><u>548.846</u></u>

The accompanying notes are an integral part of these financial statements.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of surplus or deficit for the years ended December 31, 2016 and 2015

(Amounts expressed in thousands of reais - R\$)

	<u>Notes</u>	<u>12/31/2016</u>	<u>12/31/2015</u> <b>(Restated)</b>
<b>Operating income</b>			
GEF Agency	13	88	-
Reimbursement of projects	15	15.593	12.728
Recovery of costs	16	274	1.148
Services provided	17	112	123
<b>Total income</b>		<u>16.067</u>	<u>13.999</u>
<b>Operating expenses</b>			
Salaries and charges		(11.342)	(9.873)
Third-party services		(1.237)	(961)
Rental and maintenance		(674)	(706)
Travel expenses		(121)	(108)
General expenses		(713)	(604)
<b>Total expenses</b>		<u>(14.087)</u>	<u>(12.252)</u>
<b>Operating profit before finance income (costs)</b>		<u>1.980</u>	<u>1.747</u>
<b>Finance income (costs)</b>			
	18		
Finance costs		(121)	(13)
Finance income		2.586	1.688
		<u>2.465</u>	<u>1.675</u>
<b>Operating profit</b>		<u>4.445</u>	<u>3.422</u>
<b>Project income (expenses)</b>			
Rendering of accounts approved	12	81.051	58.266
Disbursement to partners	12	(12.463)	(10.213)
Resources implemented	12	(68.902)	(48.670)
Rendering of accounts in progress	12	313	617
		<u>-</u>	<u>-</u>
<b>Other operating income</b>			
Write-off of property and equipment		(11)	-
		<u>(11)</u>	<u>-</u>
<b>Surplus for the year</b>		<u>4.434</u>	<u>3.422</u>

The accompanying notes are an integral part of these financial statements.



# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of changes in equity for the years ended December 31, 2016 and 2015

(Amounts expressed in thousands of reais - R\$)

	<u>Notes</u>	<u>FUNBIO Resources Fund</u>	<u>Accumulated surplus / (deficit)</u>	<u>Surplus for the year</u>	<u>Total equity</u>
<b>Balances at December 31, 2014 (Restated)</b>		15.033	(165)	-	14.868
Surplus for the year		-	-	3.422	3.422
Prior-year adjustments:	19	-	(250)	-	(250)
Allocation of surplus for the year	14	2.212	-	(2.212)	-
Transfer to accumulated surplus/(deficit)		-	1.210	(1.210)	-
<b>Balances at December 31, 2015 (Restated)</b>		----- 17.245	----- 795	----- -	----- 18.040
Surplus for the year		-	-	4.434	4.434
Prior-year adjustments:	19	-	167	-	167
Allocation of surplus for the year	14	3.340	-	(3.340)	-
Transfer to accumulated surplus/(deficit)		-	1.094	(1.094)	-
<b>Balances at December 31, 2016</b>		----- <u>20.585</u>	----- <u>2.056</u>	----- <u>-</u>	----- <u>22.641</u>

The accompanying notes are an integral part of these financial statements.

# Fundo Brasileiro para Biodiversidade - FUNBIO

## Statements of cash flows for the years ended December 31, 2016 and 2015

(Amounts expressed in thousands of reais - R\$)

	<u>12/31/2016</u>	<u>12/31/2015</u> (Restated)
<b>Cash flows from operating activities</b>		
Surplus for the Year	4.434	3.422
<b>Adjustments to reconcile surplus before income tax and social contribution to cash and cash equivalents generated by/(used in) operating activities</b>		
Gain (loss) on disposal of assets	(11)	(2)
Depreciation and amortization for the year	72	171
	4.495	3.591
<b>Changes in assets and liabilities</b>		
Other receivables	(495)	138
GEF Agency - Project advances	400	-
Trade payables	(278)	3
Payroll and related taxes	(289)	(6)
Taxes and fees	13	(18)
Other payables	(11)	(1.168)
GEF Agency Projects	563	-
<b>Net cash generated by /(used in) operating activities</b>	<u>4.398</u>	<u>2.540</u>
<b>Cash flows from investing activities</b>		
Purchase / write-off of property and equipment	(83)	(260)
<b>Net cash used in investing activities</b>	(83)	(260)
<b>Cash flows from financing activities</b>		
Receipt of funds related to projects	177.699	23.270
Income from funds related to projects	(21.482)	42.421
Exchange rate changes on funds related to projects	(22.085)	42.628
Financial management of funds related to projects	(4.903)	(4.451)
Project-related costs	47.755	(21.213)
Increase in funds related to projects	(180.359)	(84.769)
Increase/(decrease) in equity	167	(250)
<b>Net cash used in financing activities</b>	(3.208)	(2.364)
<b>Increase (decrease) in cash and cash equivalents</b>	<u>1.107</u>	<u>(84)</u>
<b>Cash and cash equivalents</b>		
At the beginning of the year	1.425	1.509
At the end of the year	2.532	1.425
<b>Increase (decrease) in cash and cash equivalents</b>	<u>1.107</u>	<u>(84)</u>

The accompanying notes are an integral part of these financial statements.

# Notes to the financial statements for the years ended December 31, 2016 and 2015

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

## 1. Operating context

Fundo Brasileiro para a Biodiversidade (“FUNBIO” or “Entity”), is a private, non-profit civil association, in operation since 1996. It is an innovative financial mechanism created to develop strategies that contribute to the implementation of the Convention on Biological Diversity (CBD) in Brazil. It acts as a strategic partner of the public and corporate sectors and of civil society, in initiatives that strengthen conservation policies, enable environmental funding programs and social and environmental investments, reduction and mitigation of their impacts, and in compliance with their legal obligations.

In just over 20 years, FUNBIO already managed \$ 593 million, supported 256 projects in 7 biomes, 206 institutions and 310 protected areas totaling 67 million hectares (approximately 3 times the territory of the State of São Paulo) and has provided the training of more than 1,300 partners. The source of resources leveraged by FUNBIO, with approximately 70 donors in its history, comes from international cooperation agreements, legal obligations and private national and international donations.

FUNBIO is the first and only national implementing agency of the Global Environment Fund (GEF), one of the world's most important funders of environmental projects, which gave accreditation to FUNBIO for its implementation capacity.

The Entity is part of the Latin America and the Caribbean Network of Environmental Funds, with 21 organizations of 16 countries, which, since 1999, have already managed more than \$2 billion in equity and extinguishable funds, supporting more than 900 protected areas.

FUNBIO's governance is led by the Advisory Board (AB), which comprises 16 members of the academic and environmental sectors and of the civil, corporate, and government society and is responsible for setting the strategy and for the overall direction of the organization. In 3 meetings per year the AB assesses strategic directions and institutional management: it establishes a general policy, sets goals and priorities, transformed into actions by the Executive Secretariat. The AB approves annual operational plans, investment policies and developed projects. The Board members participate as volunteers, bringing their experience and knowledge. The Advisory Board is organized into Committees that deal with specific issues, such as Management, Project Standards, and Finances and Audit commissions and an Asset Management Committee.

At the end of this year, FUNBIO has assets under management amounting to R\$732 million (2015 - R\$ 548 million), with approximately 56% linked to long-term actions and projects organized in funds.

The execution of resources by FUNBIO in 2016 presented a growth of 39% to a historical mark of R\$ 81 million (2015 - R\$ 58 million).

Resources for project implementations and those used by the entity to achieve its statutory objectives are segregated and can be identified in this report.

## **2. Basis of preparation and presentation of the financial statements**

### **2.1. Statement of compliance**

The financial statements of the Entity for the year ended December 31, 2016 have been prepared in accordance with accounting practices adopted in Brazil applicable to non-profit entities, considering the General Technical Interpretation (ITG) 2002, approved by CFC Resolution No. 1,409/2012, as well as pronouncements issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Board (CFC).

The issue of these financial statements was approved by the Entity's Advisory Board on April 27, 2017.

### **3. Basis of measurement**

The financial statements have been prepared on the historical cost basis, except for financial investments, presented at fair value through profit or loss.

### **4. Functional and reporting currency**

These financial statements are presented in Brazilian real (R\$), which is the Entity's functional currency. All financial information presented in thousands of Reais has been rounded to the nearest value, unless otherwise indicated.

### **5. Use of estimates and judgments**

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that the Entity's Management uses its judgments in the determination and recording of accounting estimates. Assets and liabilities subject to estimates and assumptions include the economic useful life and residual value of property and equipment and intangible assets. The settlement of transactions involving these estimates may result in amounts different from those estimated, due to inaccuracies inherent to the determination process. The Entity reviews the estimates and assumptions at least on an annual basis.

### **6. Significant accounting policies**

#### **6.1 Foreign currency translation**

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates. The exchange gains and losses resulting from the settlement of such transactions and from the conversion of monetary assets and liabilities denominated in foreign currency at the year-end exchange rates are recognized in the statement of surplus or deficit.

## 6.2 Cash and cash equivalents and financial investments

Cash and cash equivalents include cash; bank deposits; and other highly liquid short-term investments with original maturities within three months or less and insignificant risk of change in value; for cash flow statement purposes, it includes the balances in overdraft accounts, when used.

Financial investments are stated at cost plus income earned and exchange rate changes up to the end of the reporting period, adjusted to market value when this is lower.

## 6.3 Property and equipment

Property and equipment are measured at their historical cost, less accumulated depreciation and accumulated impairment, where applicable. Historical cost includes expenditure directly attributable to the acquisition of items, including financing costs related to the acquisition of qualifying assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when future economic benefits associated with the item is probable and the cost of the item can be reliably measured. The carrying amount of replaced items or parts is written off. All other repairs and maintenances are charged to the statement of surplus or deficit when incurred.

Depreciation of property and equipment is recorded over the useful life of the assets, as follows:

	Years
Leasehold improvements	3 to 25
IT equipment	5
Furniture and fixtures	10
Machinery and equipment.	10

The residual values and useful lives of the assets are reviewed and adjusted, if appropriate, at the end of each period.

The carrying amount of an asset is immediately written down to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount.

The useful life is based on Management's estimates regarding the period in which the assets will generate revenue, which are periodically reviewed for continuing suitability. Changes in estimates may result in significant changes in the carrying amount, and the amounts are recognized in the statement of surplus or deficit according to the new estimates.

## 6.4 Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The carrying amount of an asset is written down to its estimated recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount. The latter is the higher of the fair value of an asset less the sale costs and its value in use.

### **6.5 Trade payables**

Trade payables are obligations to pay for goods or services purchased from suppliers during the ordinary course of business and project management, and are classified as current liabilities if the payment is due within one year (or in the regular operating business cycle, even if longer.)

Otherwise, trade payables are presented as non-current liabilities.

They are initially recognized at fair value, and subsequently measured at amortized cost using the effective interest method. In practice, these are usually recognized at the amount of the related invoice.

### **6.6 Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Entity is a party to labor, tax and civil lawsuits in progress, and is discussing these matters at the administrative and judicial levels, which, when applicable, are supported by escrow deposits. The provisions for losses arising from these lawsuits are estimated and updated by Management, supported by its outside legal counselors.

### **6.7 Funds related to projects from third parties**

The deposits received in FUNBIO accounts, intended for the implementation of projects and signed as contractual instruments are recognized as Entity's obligations to donors and/or partners. As the projects are implemented, these obligations are recognized as a balancing item to the account "Rendering of accounts approved" in the statement of surplus or deficit.

### **6.8 Realizable and settlement values**

All other assets and liabilities are stated at realizable and settlement values, respectively, and include, where applicable, inflation adjustments or exchange rate changes, as well as income and charges earned or incurred until the end of the reporting period, recognized on a pro rata basis. Where applicable, provisions for write-down of assets to market value or probable realizable value are set up.

Realizable and settlement values maturing within 12 months from the end of the reporting period are classified in current assets and liabilities, respectively.

### **6.9 Revenue recognition**

Revenue comprises the fair value of the reimbursement of project expenses, cost recovery and any services rendered in the Entity's normal course of business.

The project reimbursement revenue is recognized when FUNBIO is reimbursed for the management and implementation of projects according to the purpose stated in its bylaws. These revenues are included in the budgets of projects that are an integral part of the contractual agreements.

The cost recovery revenue is calculated based on a variable percentage as the projects are performed; these amounts are included in agreements and budgets prepared to achieve the project objectives, and do not constitute free resources for the Entity. This revenue is recognized when project accounts are rendered.

The revenue from services provided is recognized when it can be reliably estimated, associated with the transaction by reference and the stage of completion of the service as the contractual obligations are fulfilled.

#### **6.9.1 Finance income**

The finance income is recognized using the effective interest method.

#### **6.10 Project expense recognition**

The expenses incurred in projects are recognized in the statement of surplus or deficit in line items "disbursement to partners", "resources implemented" and "rendering of accounts in progress" as they are incurred.

#### **6.11 Income tax and current social contribution**

Being a non-profit entity, the Entity is exempt from payment of income tax and social contribution, as provided for in Article 15 of Law 9,532/97, provided it meets the requirements set forth in items "a" to "e" of §2 of Article 12 of the aforementioned Law, namely:

- Not compensating its officers, in any way, for the services rendered;
- On an annual basis, submitting the income statement as provided for in the Resolution issued by the Federal Revenue Service;
- Not posting a Surplus in its accounts or, if Surplus is posted in a given year, such result must be completely allocated to the maintenance and development of the Entity's purpose;
- Not contributing to any practice that constituted breach of the corporate law provisions;
- Failing to comply with the requirements provided for in Article 32 of Law 9,430/96.

The Contribution to the Social Integration Program (PIS) and Social Security Financing Contribution (COFINS): According to Article 13 of Provisional Act (MP) 2158-35, of 2001, non-profit entities that hire employees, as defined by the Labor Law, are required to contribute to the PIS at a fixed rate of 1 percent applicable to the monthly payroll. These Entities are exempt from paying the PIS on revenues, under §1 of Article 14 of MP 2158-35/01, provided that these meet the requirements of Article 12 of Law 9,532/97.

Regarding COFINS, item X of Article 14 of MP 2158-35 2001 provides for the non-levy on revenues of non-profit institutions. Also in this case, the enjoyment of the exemption is contingent upon the fulfillment of the requirements of Article 12 of Law 9,532/97.

The Entity has complied with the requirements of Law 9,532/97 in order to enjoy the aforementioned exemptions.

### **6.12 Accounting standards that will become effective after 2016**

Several standards and interpretations have been issued by CPC and IASB but had not yet been adopted until the date of issue of these financial statements. The Company is assessing the effects of these standards, when applicable, however, they should not have material impact on the Entity's financial statements:

- IFRS 9 (effective from January 1, 2018) – Financial instruments;
- IFRS 15 (effective from January 1, 2018) - Revenue from Contracts with Customers.

### **6.13 Restatement of the corresponding figures**

FUNBIO Resources Fund (FRF), which has as its purpose to supplement the Entity's cash requirements, when necessary, was formed in prior years and presented in the Entity's noncurrent liabilities. The use of these resources is set by the Audit and Finance Committee for activities that are related to FUNBIO's statutory objectives, not having restrictive clauses or representing Entity's obligations to third parties. Thus, at the time of preparation of the 2016 financial statements, the Entity's management made corrections and reclassifications of this line item for a better presentation of the financial statements in accordance with accounting practices adopted in Brazil applicable to non-profit entities, considering the General Technical Interpretation (ITG) 2002, approved by CFC Resolution 1,409/2012, as well as the pronouncements issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Board (CFC).

Thus, the corresponding figures for the year ended December 31, 2015, presented for comparison purposes, have been adjusted and are being restated as laid down in Technical Pronouncements CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors and CPC 26 (R1) – Presentation of Financial Statements, as follows:

- a) Reclassification of the FUNBIO Resources Fund balance from current to non-current assets, since there is no intention of the Entity's Management to use such resources in the next fiscal year;
- b) Reclassification of the FUNBIO Resources Fund balance from non-current liabilities to the equity group;
- c) Adjustment from financial income included in noncurrent liabilities account to the statement of surplus or deficit and allocation of part of the surplus for the year to complement the FUNBIO Resources Fund.



The result of this adjustment is shown below:

**Statement of financial position**

**ASSETS**

	12/31/2015		
	Balances originally reported	Adjustments	Adjusted balances
Current assets (a)	260,948	(17,245)	243,703
<b>Noncurrent assets (a)</b>	287,898	17,245	305,143
<b>Total assets</b>	<b>548,846</b>	<b>-</b>	<b>548,846</b>

**LIABILITIES AND EQUITY**

	12/31/2015		
	Balances originally reported	Adjustments	Adjusted balances
<b>Current liabilities</b>	243,663	-	243,663
<b>Noncurrent liabilities</b>			
Funds related to projects from third parties	287,143	-	287,143
FUNBIO Resources Fund (b)	17,245	(17,245)	-
<b>Total noncurrent liabilities</b>	304,388	(17,245)	287,143
FUNBIO Resources Fund (b)	-	17,245	17,245
Accumulated surplus	795	-	795
<b>Total equity</b>	18,040	17,245	18,040
<b>Total liabilities</b>	<b>548,846</b>	<b>-</b>	<b>548,846</b>

**Statement of surplus or deficit**

	12/31/2015		
	Balances originally reported	Adjustments	Adjusted balances
<b>Operating income</b>	13,999	-	13,999
<b>Operating expenses</b>	(12,252)	-	(12,252)
<b>Operating profit before finance income (costs)</b>	1,747	-	1,747
<b>Finance income (costs)</b>			
Finance costs	(13)	-	(13)
Finance income (c)	186	1,502	1,688
	173	1,502	1,675
<b>Operating profit</b>	1,920	1,502	3,422
<b>Other operating income</b>			
Use of resources (c)	(710)	710	-
	(710)	710	-
<b>Surplus for the year</b>	<b>1,210</b>	<b>2,212</b>	<b>3,422</b>

## Statement of cash flows

12/31/2015

	Balances originally reported	Adjustments	Adjusted balances
<b>Cash flows from operating activities</b>			
Surplus for the year	1,210	2,212	3,422
<b>Adjustments to reconcile surplus before income tax and social contribution to cash and cash equivalents generated by/(used in) operating activities</b>			
Gain (loss) on disposal of assets	(2)	-	(2)
Depreciation and amortization for the year	171	-	171
	1,379	2,212	3,591
<b>Changes in assets and liabilities</b>			
Other receivables	142	(4)	138
Trade payables	3	-	3
Salaries and labor obligations	(6)	-	(6)
Taxes and fees	(18)	-	(18)
Other payables	(1,168)	-	(1,168)
<b>Net cash generated by operating activities</b>	332	2,208	2,540
<b>Cash flows from investing activities</b>			
Purchase / (write-off) of property and equipment	(260)	-	(260)
<b>Net cash used in investing activities</b>	(260)	-	(260)
<b>Cash flows from financing activities</b>			
Receipt of funds related to projects	23,270	-	23,270
Income from funds related to projects	42,421	-	42,421
Exchange rate changes on funds related to projects	42,628	-	42,628
Financial management of funds related to projects	(4,451)	-	(4,451)
Project-related costs	(21,213)	-	(21,213)
Increase in funds related to projects	(82,219)	(2,550)	(84,769)
Increase/decrease in resource funds	2,210	(2,210)	-
Increase/(decrease) in equity	(250)	-	(250)
<b>Net cash generated by financing activities</b>	2,396	(4,760)	(2,364)
<b>Increase (decrease) in cash and cash equivalents</b>	2,468	(2,552)	(84)
<b>Cash and cash equivalents</b>			
At the beginning of the year	16,542	(15,033)	1,509
At the end of the year	19,010	(17,585)	1,425
<b>Increase (decrease) in cash and cash equivalents</b>	2,468	(2,552)	(84)

## 7. Financial risk management

The Entity is exposed to the following risks from its use of financial instruments:

- Market risk; and
- Liquidity risk.

The information below summarizes the Entity's exposure to each of the aforementioned risks, the Entity's objectives, and risk and capital management measurement policies and procedures. Additional quantitative disclosures are included in these financial statements.

#### **Market risk**

Market risk is the risk that changes in market prices, such as interest rates on the Entity's financial investments, poses to the gains earned based on its portfolio or on the value of its stakes in financial instruments.

The Entity manages market risks through financial investments in funds with low market risk and low financial leverage, always with first-tier financial institutions. In this sense, there is currency risk as the main market risk arising from projects whose sponsors are foreign Entities.

#### **Foreign exchange risk**

This risk arises from the possibility that the Entity incurs losses due to exchange rate fluctuations that reduce the nominal amounts billed or increase the amounts raised in the market.

The projects are performed and budgeted in Reais, and the control of balances to be transferred, as found in the project account rendering, are updated based on the prevailing exchange rate. Reconciliations of installments to be transferred are regularly performed, with the targets defined for the project; in case of significant variations, the project is re-planned.

#### **Liquidity risk**

Refers to the risk that the Entity lacks sufficient liquid resources to meet its financial commitments, due term or volume mismatch between the forecast receipts and payments.

To manage cash liquidity, future disbursement and revenue assumptions are established, being monitored on a daily basis by Treasury. Such control is exercised to manage the Entity's accounts and the accounts of each of its projects.

### **8. Cash and cash equivalents, FRF and funds related to projects and GEF agency**

<b>Description</b>	<b>12/31/2016</b>	<b>12/31/2015</b>
Cash and cash equivalents	2,532	1,425
Current funds related to projects – FRF	20,585	17,245
Amounts in transit	407	340
<b>Total own funds</b>	<b>23,524</b>	<b>19,010</b>
Current funds related to projects - GEF Agency	2,226	-
Current funds related to projects	308,432	238,338
Non-current funds related to projects	397,408	287,143
Amounts in transit	117	3,348
<b>Total funds related to projects</b>	<b>708,183</b>	<b>528,829</b>
<b>Total funds</b>	<b>731,707</b>	<b>547,839</b>

Description	12/31/2016	12/31/2015
<b>Own funds</b>		
Cash	407	340
Domestic banks	13	3
Banks abroad (a)	7	551
Domestic financial investments (b)	23,018	18,116
Financial investments abroad (c)	79	-
<b>Total own funds</b>	<b>23,524</b>	<b>19,010</b>
<b>Funds related to projects</b>		
Cash	117	3,348
Domestic banks	1,940	1,002
Banks abroad (a)	29,440	32,471
Domestic financial investments (b)	467,409	395,957
Financial investments abroad (c)	209,277	96,051
<b>Total funds related to projects</b>	<b>708,183</b>	<b>528,829</b>
<b>Total cash and cash equivalents</b>	<b>731,707</b>	<b>547,839</b>

The amounts shown as cash, domestic banks, banks abroad and financial investments represent the Entity's own balances, which are intended for operational and administrative maintenance thereof, and these are readily convertible into cash and subject to insignificant risk of change in value. Financial investments consist of Funds and CDBs (Bank Certificate of Deposit) acquired at rates ranging from 96 to 101 percent of the CDI (Interbank Certificate of Deposit) rate, being booked at the invested amount, plus income earned until the end of the reporting period, where the fair value does not exceed the market value.

The funds related to projects and GEF Agency represent the amounts transferred by several sponsors to the Entity, which are kept in individual checking accounts of each project, and investments are kept in investment funds, repurchase agreements and bank certificates of deposit (CDBs), whose liquidity is below 90 days, with insignificant risk of decrease in value. Such investments consist of CDBs and repurchase agreements (Bradesco) remunerated at the CDI rate and other investments in Investment Funds held in first-tier financial institution. Such investments are booked at the invested amount, plus income earned until the end of the reporting period, where the fair value does not exceed the market value.

**(a) Composition of checking account balances - abroad at December 31:**

Description	12/31/2016	12/31/2015
Itáú MIAMI – FT (**)	26,922	32,057
Banco do Brasil NY FUNBIO (*)	7	551
J. P. MORGAN - NY – FT (**)	-	256
Banco do Brasil Frankfurt – FFEM	34	109
Banco do Brasil Frankfurt – ARPA KFW	2,435	-
Banco do Brasil NY - Capacitação RedLac(*)	7	29
Banco do Brasil NY – Agência GEF(*)	7	-
Itáú MIAMI – FTKFW (**)	16	20
Itáú MIAMI – Fundo Amapá (**)	19	-
<b>Total cash and cash equivalents abroad</b>	<b>29,447</b>	<b>33,022</b>

(\*) Financial investments at BB New York are short-term and refer to On Shore Investment (Overnight) and Yankee Certificate Deposit.

(\*\*) On the other hand, the investments of funds managed by FUNBIO, through our Asset Manager, Pragma Patrimônio, are diversified short- and long-term investments ranging from 1 year to 8 years, with liquidity ranging from D+1 to D+180 days. The resources are invested in Government Securities -NTN-Bs, local and international variable income, Hedge Fund, Low Vol Fixed Income and Pre-fixed / Inflation. The investments follow the investment policies of each fund and the guidelines of FUNBIO's Asset Management Committee.

**(b) The short-term investments in the country are comprised as follows at December 31:**

Description	12/31/2016	12/31/2015
<b>FMA Funds</b>		
Trust fund	-	25,070
Automatic investments	-	3,016
Bank Certificate of Deposit Investment - CDB	1,628	166,730
Fixed Income investments	-	32,429
Fixed Income Investment - Bradesco	248,188	-
<b>Total funds FMA (b.1)</b>	<b>249,816</b>	<b>227,245</b>
<b>Other projects and own funds</b>		
Bank Certificate of Deposit Investment - CDB	44,656	22,829
Fixed income investments	9,653	13,921
Asset manager	142,013	110,388
Other investments	44,289	39,690
<b>Total third-party funds (b.2)</b>	<b>240,611</b>	<b>186,828</b>
<b>Total financial investments</b>	<b>490,427</b>	<b>414,073</b>

**(b.1) Fundo Mata Atlântica - FMA - Project**

Description	12/31/2016	12/31/2015
Itaú Pragma - Trust Fund	-	10,668
Itaú Private EFFICAX - Trust Fund	-	10,481
Credit Suisse - Trust Fund	-	3,921
<b>Total trust funds</b>	<b>-</b>	<b>25,070</b>

**Bank Certificate of Deposit Investment - CDB**

Description	12/31/2016	12/31/2015
Banco do Brasil CDB - FMA Santos Dumont Airport	-	1,104
Banco do Brasil CDB - FMA Alphaville	-	282
Banco do Brasil CDB - FMA CTL Expansion	-	76
Banco do Brasil CDB - FMA Southeast Port Expansion	-	413
Banco do Brasil CDB - FMA Baixada Fluminense	-	778
Banco do Brasil CDB - FMA Braz Interm.	-	548
Banco do Brasil CDB - FMA CCR Dutra	-	1,525
Banco do Brasil CDB - FMA Comperj	-	31,227
Banco do Brasil CDB - FMA Comperj Impl. Infrastructure and Urbanization	-	13,366
Banco do Brasil CDB - FMA Comperj UHOS	-	738
Banco do Brasil CDB - FMA Construção Naval do Açú	-	16,934
Banco do Brasil CDB - FMA CSA II	-	1,403
Banco do Brasil CDB - FMA CTR Itaboraí	-	166
Banco do Brasil CDB - FMA CV	1,628	211
Banco do Brasil CDB - FMA DRAGAGEM DO TELSUL	-	2,437
Banco do Brasil CDB - FMA Dutoviário Comperj	-	4,760
Banco do Brasil CDB - FMA Bellavista Expansion	-	104

Banco do Brasil CDB - FMA GASDUC III	-	3,724
Banco do Brasil CDB - FMA Gasjap	-	148
Banco do Brasil CDB - FMA Guapimirim Gas Pipeline	-	419
Banco do Brasil CDB - FMA Guapimirim II Gas Pipeline	-	600
Banco do Brasil CDB - FMA GNL Petrobras	-	1,737
Banco do Brasil CDB - FMA Grota Funda	-	925
Banco do Brasil CDB - FMA ITAGUAI	-	3,354
Banco do Brasil CDB - FMA JV PART CDB	-	460
Banco do Brasil CDB - FMA LIBRA TERMINAL	-	1,076
Banco do Brasil CDB - FMA Petrobás Transmission Line	-	110
Banco do Brasil CDB - FMA LLX AÇÚ	-	11,685
Banco do Brasil CDB - FMA Lot. Buzios Golfe	-	240
Banco do Brasil CDB - FMA Loteum Incor.	-	189
Banco do Brasil CDB - FMA LT Macaé Campos	-	502
Banco do Brasil CDB - FMA MARINA IMPERIAL	-	77
Banco do Brasil CDB - FMA CRB Subway	-	381
Banco do Brasil CDB - FMA CRB II Subway	-	7,737
Banco do Brasil CDB - FMA Multi Car	-	815
Banco do Brasil CDB - FMA Multi Rio	-	786
Banco do Brasil CDB - FMA Tecab Works	-	1,741
Banco do Brasil CDB - FMA OF CSN	-	9,582
Banco do Brasil CDB - FMA Paracambi Lighter	-	349
Banco do Brasil CDB - FMA PCH RIO PRETO	-	63
Banco do Brasil CDB - FMA Petrobras realign. TECAM/REDUC	-	1,831
Banco do Brasil CDB - FMA PMN DAS AGUAS	-	4,613
Banco do Brasil CDB - FMA Ponta da Areia	-	351
Banco do Brasil CDB - FMA Pres. Vargas	-	337
Banco do Brasil CDB - FMA Quitumba	-	492
Banco do Brasil CDB - FMA SERB	-	693
Banco do Brasil CDB - FMA TA AR Transpetro	-	82
Banco do Brasil CDB - FMA TER Sub Emissário	-	1,923
Banco do Brasil CDB - FMA TERM SUL LLX	-	5,898
Banco do Brasil CDB - FMA Sea Terminal at Guaíba Island	-	74
Banco do Brasil CDB - FMA TRANSCARIOCA	-	8,097
Banco do Brasil CDB - FMA Transolimpica Pmrj	-	7,318
Banco do Brasil CDB - FMA UPGN Comperj	-	10,601
Banco do Brasil CDB - FMA UTE Porto do Açú	-	485
Banco do Brasil CDB - FMA UTE SANTA CRUZ FURNAS	-	1,080
Banco do Brasil CDB - FMA Via Principal	-	83
<b>Total Bank Certificate of Deposit Investments - CBD</b>	<b>1,628</b>	<b>166,730</b>

### Fixed income investments

Description	12/31/2016	12/31/2015
Banco do Brasil RF LP - FMA Comperj	-	9,195
Banco do Brasil RF LP - FMA Comperj UHOS	-	1,095
Banco do Brasil RF LP - FMA Construction Naval do Açú	-	13,247
Banco do Brasil RF LP - FMA GASDUC	-	250
Banco do Brasil RF LP - FMA LIBRA TERMINAL	-	236
Banco do Brasil RF LP - FMA LLX AÇÚ	-	2,517
Banco do Brasil RF LP - FMA Loteum Incorp	-	28
Banco do Brasil RF LP - FMA CRB Subway	-	1,909
Banco do Brasil RF LP - FMA CRB II Subway	-	1,400
Banco do Brasil RF LP - FMA Tecab Works	-	681
Banco do Brasil RF LP - FMA PRES. VARGAS	-	578
Banco do Brasil RF LP - FMA RIO JV PARTN	-	139
Banco do Brasil RF LP - FMA TA AR Transpetro	-	333
Banco do Brasil RF LP - FMA UTE AÇÚ	-	246
Banco do Brasil RF LP - FMA Volta Redonda	-	322
Banco do Brasil RF LP - PTA AREIA	-	253
<b>Total fixed income investments</b>	<b>-</b>	<b>32,429</b>

## Automatic investments

Description	12/31/2016	12/31/2015
Banco do Brasil CP Corp 600 K - FMA CSA II	-	2,568
Banco do Brasil REF DI LP Corp 600 K - FMA GASJAP	-	448
<b>Total automatic investments</b>	<b>-</b>	<b>3,016</b>

## Automatic investments - Bradesco

Description	12/31/2016	12/31/2015
Bradesco - Agreement FMA III) I. OP. Donation	28,567	-
Bradesco - Agreement FMA Ia) CCA	180,763	-
Bradesco - Agreement FMA V) Ins. TAC	15,707	-
Bradesco - Agreement FMA VI) I.O.O. FON	14,232	-
Bradesco - Agreement FMA Ic) Reg. Fu	7,992	-
Bradesco - Agreement FMA I. O. R. Forest	927	-
<b>Total automatic investments</b>	<b>248,188</b>	<b>-</b>
<b>Total instruments - FMA Instruments - (b.1)</b>	<b>249,816</b>	<b>227,245</b>

As explained in Note 12, the total of FMA funds used under each of the contractual instruments (Agreement 003/2009 and Term of Cooperation 04/2016), migrated from Banco do Brasil accounts to the accounts of the mechanism's Financial Manager, Bradesco.

### (b.2) Other projects

#### Bank Certificate of Deposit Investment - CDB

Description	12/31/2016	12/31/2015
Banco do Brasil CDB – Administrative	2,112	851
Banco do Brasil CDB - Adoption of Parks (MPX LM)	-	585
Banco do Brasil CDB - Adoption of Parks (OGX FN)	164	1,215
Banco do Brasil CDB – AFCOF III	961	-
Banco do Brasil CDB – ARPA BID	1,068	246
Banco do Brasil CDB – ARPA BID MSC	752	315
Banco do Brasil CDB - CARBONO PAITER SURUI	654	955
Banco do Brasil CDB - Fauna Portfolio (Ararinha Azul)	637	1,113
Banco do Brasil CDB - Fauna Portfolio (Sirênios)	116	147
Banco do Brasil CDB – Chevron - Marine and Fishing Research	13,126	5,319
Banco do Brasil CDB - Chevron Porpoise Conservation	5,873	2,452
Banco do Brasil CDB – FUNJUS	-	3,349
Banco do Brasil CDB – GEF CERRADO	-	37
Banco do Brasil CDB – GEF MAR	735	1,679
Banco do Brasil CDB - GEF Nutrition	1,039	1,204
Banco do Brasil CDB – GEF Pollinators	-	156
Banco do Brasil CDB – ICCO FOUND	-	102
Banco do Brasil CDB – Kayapo	173	775
Banco do Brasil CDB - KfW ARPA Phase 2	1,235	887
Banco do Brasil CDB – Moore Sustainability	499	747
Banco do Brasil CDB - New Sources Arpa	116	123
Banco do Brasil CDB – PROBIO JURUTI	-	91
Banco do Brasil CDB – PROBIO Votorantin CP	-	18
Banco do Brasil CDB – PROBIO Votorantin Execution	-	10
Banco do Brasil CDB – Project K	133	2
Banco do Brasil CDB - RVS Rio da Prata	462	414
Banco do Brasil CDB - Terra do Meio	-	-
Banco do Brasil CDB – TFCA	403	21
ItaúCDB – Fauna ( Fauna Portfolio)	5	16

Banco do Brasil CDB – TAC Caçapava	286	-
Banco do Brasil CDB – Chevron Cons Ucs RJ	7,162	-
Banco do Brasil CDB – Chevron Cras RJ	1,186	-
Banco do Brasil CDB – Chevron Environmental Education	3,200	-
Banco do Brasil CDB – Redlac Assembly	115	-
Banco do Brasil CDB – R20	6	-
Banco do Brasil CDB – Mozambique	1	-
Banco do Brasil CDB – Rock in Rio	174	-
Banco do Brasil CDB – Special Projects	83	-
Banco do Brasil CDB- COP Cancun 13	44	-
Banco do Brasil CDB – GEF Agency FUNBIO	1,663	-
Banco do Brasil CDB – GEF Agency Project	473	-
<b>Total Bank Certificate of Deposit Investment – CBD</b>	<b>44,656</b>	<b>22,829</b>

### Fixed Income investments

Description	12/31/2016	12/31/2015
Banco do Brasil RF LP - PROBIO Opportunity Fund	7,639	9,781
Banco do Brasil RF LP – GEF BM	-	463
Banco do Brasil RF LP – MPX	-	20
Banco do Brasil RF LP – TFCA	2,014	3,657
<b>Total fixed income investments</b>	<b>9,653</b>	<b>13,921</b>

### Asset manager

Description	12/31/2016	12/31/2015
Itaú Pragma – Kayapó Fund	-	8,319
Itaú Pragma - Kayapó BANYAN Fund	440	-
Itaú Pragma - Kayapó LIBER MM Fund	3,824	-
Itaú Pragma - Kayapó LYNX MM Fund	4,039	-
Itaú Pragma - Kayapó HONOR Fund	1,224	-
Itaú Pragma - Kayapó LYNX II Fund	35	-
Itaú Pragma - FUNBIO Resources Fund - FRF	-	7,306
Itaú Pragma - FUNBIO Resources Fund - FRF LIBER	6,195	-
Itaú Pragma - FUNBIO Resources Fund - FRF BANYAN	287	-
Itaú Pragma - FUNBIO Resources Fund - FRF LYNX II	14	-
Itaú Pragma - FUNBIO Resources Fund - FRF HONOR	1,069	-
Itaú Pragma - FUNBIO Resources Fund – FRF ARES	237	-
Itaú Pragma - FUNBIO Resources Fund – FRF LYNX MM	2,634	-
Itaú Pragma – Transition Fund - FT	-	48,407
Itaú Pragma – Transition Fund – FT BANYAN	123	-
Itaú Pragma – Transition Fund – FT LYNX II	6	-
Itaú Pragma – Transition Fund – FT SUMAUMA	68,690	-
Itaú Pragma – Transition Fund – FT KFW	-	32,425
Itaú Pragma – Transition Fund – FT KFW ARES	159	-
Itaú Pragma – Transition Fund - FT KFW BANYAN	881	-
Itaú Pragma – Transition Fund - FT KFW HONOR	9,041	-
Itaú Pragma – Transition Fund - FT KFW LIBER	15,511	-
Itaú Pragma – Transition Fund - FT KFW LYNX MM	8,092	-
Itaú Pragma – Bahia and ES Funds	3,415	-
Credit Suisse – FUNBIO Resources Fund - FRF	3,204	2,772
Credit Suisse – Transition Fund - FT KFW	12,893	11,159
<b>Total asset manager</b>	<b>142,013</b>	<b>110,388</b>



### Other investments

Description	12/31/2016	12/31/2015
Banco do Brasil - Operating FT	545	739
Banco do Brasil - GEF BM Arpa II	1,242	1,010
Banco do Brasil – Resex Mapua	9	8
Itaú– Fauna (Fauna Portfolio)	117	104
Itaú – Administrative	26	20
Itaú - Fauna (Fauna Portfolio)	39	8
Itaú Compromissada DI -Administrative	295	264
Itaú Compromissada DI – Fauna (Fauna Portfolio)	387	339
Itaú Compromissada DI – FT KFW	-	9,059
Itaú EFFICAX - FT KFW	19,614	12,776
Itaú Private – FRF	6,118	7,166
Itaú Private – FT	1,723	77
Itaú Private - Fundo Kayapó	9,083	8,120
J.P Morgan – FRF	826	-
J.P Morgan – Fundo Amapá	214	-
Itaú Private – Fundo Amapá EFFICAX	1,291	-
Itaú Pragma – Fundo Amapá LIBER	1,407	-
Itaú Pragma – Fundo Amapá ARES	736	-
Itaú Pragma – Amapá HONOR Fund	618	-
<b>Total other investments</b>	<b>44,290</b>	<b>39,690</b>
<b>Total investments - other projects - (b.2)</b>	<b>240,612</b>	<b>186,828</b>
<b>Total investments - (b.1 + b.2)</b>	<b>490,427</b>	<b>414,073</b>

### (c) Components of financial investments abroad at December 31:

Description	12/31/2016	12/31/2015
J. P. MORGAN - Transition Fund	-	29,727
Itaú Miami – Amapá Fund	4,104	-
Banco do Brasil NY – Moore Redlac Training	1,861	-
Banco do Brasil NY – GEF Agency	82	-
Banco do Brasil NY – Investment ALLO	79	-
Banco do Brasil NY – Bahia and ES Funds	3,424	-
Itaú Miami - Transition Fund	193,605	59,365
Itaú Miami - KFW Transition Fund	6,201	6,959
<b>Total investments abroad</b>	<b>209,356</b>	<b>96,051</b>

## 9. Property and equipment

### a) Components

Description	Annual depreciation rate	12/31/2016			Property and equipment, net at 12/31/2015
		Cost	Accumulated depreciation	Property and equipment, net	
Furniture and fixtures	10%	322	(261)	61	30
Machinery and equipment.	10%	251	(134)	117	125
IT equipment	20%	1,005	(580)	425	465
Leasehold improvements	4% to 33%	663	(499)	163	135
<b>Total</b>		<b>2,241</b>	<b>(1,474)</b>	<b>766</b>	<b>755</b>

## b) Changes

Description	Furniture and fixtures	Machinery and equipment	IT equipment	Leasehold improvements	Total
<b>Balance at December 31, 2014</b>	<b>39</b>	<b>107</b>	<b>365</b>	<b>153</b>	<b>664</b>
Purchases	-	38	222	-	260
Write-offs	-	(1)	-	-	(1)
Depreciation	(9)	(16)	(121)	(8)	(154)
Others	-	(3)	(1)	(11)	(15)
<b>Balance at December 31, 2015</b>	<b>30</b>	<b>125</b>	<b>465</b>	<b>135</b>	<b>755</b>
Purchases	43	16	114	36	209
Write-offs	(3)	(41)	(81)	-	(126)
Depreciation	(9)	18	(73)	(8)	(72)
<b>Balance at December 31, 2016</b>	<b>61</b>	<b>118</b>	<b>425</b>	<b>163</b>	<b>766</b>

## c) Impairment of assets

During the year ended December 31, 2016, Management did not identify the existence of indicators that certain assets might be impaired.

## 10. Trade payables

Description	12/31/2016	12/31/2015
KONIK Indústria e Comercio de Moveis LTDA	9	-
RPC Importação e Comercio de Maq. e Equip.	222	-
RN Comercio Varejista S.A	6	-
Alegria Indústria e Comercio LTDA	38	-
Ferrari & Cia Ltda	72	29
Dell Computadores do Brasil Ltda	-	20
Márcia Maria Matavelli Mellega	-	14
A.F. Comércio e Serviços Técnicos Ltda	13	13
Distribuidora Unica Rio Ltda	-	5
One Way Solution Ltda.	3	-
Others	-	4
<b>Total</b>	<b>363</b>	<b>85</b>

## 11. Payroll and related taxes

Description	12/31/2016	12/31/2015
Accrued vacation and related taxes	1,070	944
Salaries payable	404	353
IRRF (Withholding Income Tax) payable	250	195
INSS (Social Security Contribution) payable	191	149
FGTS (Severance Pay Fund) payable	68	57
PIS (Social Integration Program) payable	8	7
Others	8	5
<b>Total</b>	<b>1,999</b>	<b>1,710</b>

## 12. Funds related to projects from third parties

### Movement of the 2016 projects balances

	12/31/2015	Rendering of accounts in progress	Rendering of accounts sent	Others	Funds used - rendering of accounts	Funds received	Investment income	Exchange rate changes	Finance costs	Transfers, disbursements and reimbursements	FMA Transfer Covenant x Agreement	12/31/2016	Note
		(a)	(b)	(c)	(a) + (b) (c)								
ARPA Phase 2 – GEF BM	1,678	(13)	(14962)	396	(14579)	15,827	156	-	(17)	(1,705)	-	1,360	12.1
ARPA Phase 2 – KfW	1,472	(9)	(15,677)	136	(15,550)	20,347	116	(623)	(126)	(1,102)	-	4,534	12.1
ARPA FT – Operating	798	(22)	(7,428)	51	(7,219)	7,900	192	6	(31)	(880)	-	760	12.1
ARPA FT – BID MSC	58	-	(443)	77	(367)	1,231	52	-	(6)	(275)	-	694	12.1
ARPA FT – BID SCI	251	(31)	(1,485)	30	(1,485)	3,566	71	-	(15)	(1,546)	-	842	12.1
FMA - Environmental Compensation	179,773	-	(15,403)	30	(15,403)	12,201	16,978	-	(1)	(5,755)	(187,793)	-	12.2
FMA - Linked Card	212	-	(446)	-	(446)	1,800	96	-	(5)	88	(1,745)	-	12.2
FMA - Other Sources	22,294	-	-	-	-	-	1,858	-	-	-	(24,152)	-	12.2
FMA - Instr. I-A Environmental Comp.(Brad. 3000-7)	-	(222)	(3,263)	-	(3,485)	895	3,191	-	-	-	179,950	180,550	12.2
FMA - Instr. I-B CA Federal (Brad. 3001-5)	-	-	-	-	-	-	-	-	-	-	-	-	12.2
FMA - Instr. I-C Res. Reg. Landholding (Brad. 3002-3)	-	-	-	-	-	-	150	-	-	-	7,842	7,992	12.2
FMA - Instr. II – OP. Donations (Brad. 3003-1)	-	-	-	-	-	-	-	-	-	-	-	-	12.2
FMA - Instr. III -A – Fiduciary Finan. (Brad. 3005-8)	-	-	-	-	-	-	689	-	(1)	-	27,879	28,567	12.2
FMA – iNSTR. III-B – Fid. Finan. CV (BB 25.738-9)	-	-	(112)	-	(112)	-	58	-	(2)	(61)	1,746	1,628	12.2
FMA - Instr. IV – OP. Forest Rest (Brad. 3008-2)	-	-	-	-	-	915	13	-	-	-	-	928	12.2
FMA - Instr. V – TAC (Brad. 3009-0) <sup>(1)</sup>	-	-	-	-	-	5,000	341	-	-	1,088	10,365	16,794	12.2
FMA - Instr. VI – OP. Other Sources (Brad. 3010-4)	-	-	-	-	-	-	445	-	-	-	13,787	14,232	12.2
TFCA	3,717	(2)	(1,552)	1	(1,555)	-	348-	-	-	(99)	-	2,411	12.3
Kayapó	777	-	(546)	-	(546)	-	49	-	(1)	(106)	-	173	12.4
Adoption of parks	2,230	(7)	(1,773)	13	(1,767)	-	172	-	(1)	-	-	633	12.5
Juntá Sustentável Fund	3,351	-	(3,471)	-	(3,471)	-	198	-	-	(78)	-	-	12.6
FUNJUS Training	21	-	-	-	-	-	-	-	-	(21)	-	-	12.6
Probio - Opportunity Fund <sup>(2)</sup>	9,781	-	(1,478)	-	(1,478)	-	847	-	-	(1,512)	-	7,639	12.7
Probio – Juruti Sustentável	84	-	(767)	-	(767)	751	38	-	-	(106)	-	-	12.7
Votorantim subproject – Execution	10	-	(1)	-	(1)	-	1	-	-	(10)	-	-	12.7
Votorantim Subproject - CP	19	-	-	-	-	-	-	-	(1)	(18)	-	-	12.7
<b>Subtotal</b>	<b>226,526</b>	<b>(306)</b>	<b>(68,627)</b>	<b>704</b>	<b>(68,231)</b>	<b>70,433</b>	<b>26,058</b>	<b>(623)</b>	<b>(207)</b>	<b>(12,098)</b>	<b>27,879</b>	<b>269,737</b>	

(1) On December 19, 2016, a resource transfer related to monetary correction occurred on the 2nd Tranche of the TAC Execution Term No. CW 1399279, Conservation of Toninhas Project in the Management Area I deposited in the account incorrectly and agreed with the project on 03 / 01/2017, in the amount of R \$ 1,088 thousand.

(2) The Probio - Fundo de Oportunidades project has two Subprojects: Probio - Juruti Sustentável and Votorantim – Execution. There are executed by Funbio itself and are presented in specific lines so the resources received by these projects the resources for these projects R \$ 751 respectively, also appear in the accounts of the Probio project - Opportunities Fun

	12/31/2015	Rendering of accounts in progress	Rendering of accounts sent	Others	Funds used - rendering of accounts	Funds received	Investment income	Exchange rate changes	Finance costs	Transfers, disbursements and reimbursements	FMA Transfer Covenant x Agreement	12/31/2016	Note
<b>Subtotal</b>	226,526	(306)	(68,627)	704	(68,231)	70,433	26,058	(623)	(207)	(12,098)	27,879	26,737	
GEF Cerrado	2	-	-	-	-	-	2	14	(1)	(17)	-	(0)	12.8
GEF Pollinators	176	-	(142)	(0)	(142)	-	11	17	(1)	(62)	-	(0)	12.9
Fauna Portfolio – Ararinha Azul	1,114	(2)	(388)	(0)	(390)	-	113	-	-	(202)	-	636	12.10
Fauna Portfolio – Sirênios	148	-	(6)	0	(6)	-	15	-	-	(38)	-	119	12.10
Fauna Fund Portfolio	544	-	-	-	-	29	67	-	(10)	(80)	-	550	12.10
New Sources Arpa	122	-	(21)	-	(21)	-	13	-	-	-	-	115	12.11
RedLac Training	33	-	(21)	-	(21)	-	1	(38)	(19)	45	-	-	12.12
GEF Nutrition	1,205	-	(991)	-	(991)	822	136	-	(5)	(124)	-	1,043	12.13
Fundo Carbono Paiter Suruí	1,079	-	(347)	-	(347)	33	76	(20)	(1)	(167)	-	654	12.14
ICCO Foundation	316	-	-	-	-	-	6	(34)	(1)	(287)	-	-	12.15
GEF Sea	1,683	(3)	(3,297)	39	(3,261)	3,116	220	-	(7)	(1,003)	-	747	12.16
K Project	83	(2)	(1,758)	2	(1,758)	4,404	20	(237)	(6)	(483)	-	2,023	12.17
Moore Sustainability	749	-	(210)	-	(210)	659	30	-	(3)	(725)	-	499	12.18
Chevron - Marine and Fishing Research	5,320	-	(2,789)	-	(2,789)	10,992	571	-	(1)	(966)	-	13,127	12.19
Chevron - Dolphin Conservation	2,452	-	(623)	-	(623)	3,907	246	-	-	(108)	-	5,874	12.19
Chevron - Environmental Education	-	-	-	-	-	3,531	77	-	-	(408)	-	3,200	12.19
Chevron - CUs Conservation	-	-	-	-	-	7,488	171	-	-	(497)	-	7,162	12.19
Chevron – CRAS RJ	-	-	-	-	-	1,310	29	-	-	(152)	-	1,187	12.19
TAC Aerolave Caçapava	-	-	(74)	-	(74)	396	16	-	-	(52)	-	287	12.20
R20	-	-	(454)	-	(454)	474	2	-	-	(15)	-	6	12.21
Rock in Rio	-	-	(430)	-	(430)	693	7	-	(3)	(89)	-	177	12.22
GEF Mangue	-	-	(267)	-	(267)	444	-	-	-	(178)	-	-	12.25
SVA Innovation - 1st Phase	-	-	(4)	-	(4)	71	-	-	-	(68)	-	-	12.26
Funbio-Bioguiné	-	-	(8)	-	(8)	100	2	-	-	(11)	-	83	12.27
Atlantic Forest III	-	-	-	-	-	989	7	(31)	(4)	-	-	961	12.28
RedLAC Meeting – Brazil 2016	-	-	(424)	-	(424)	491	14	-	(1)	-	-	81	12.29
PSA Grid – Forest Trend	-	-	-	-	-	67	-	-	-	(67)	-	-	12.30
Mozambique	-	-	(55)	-	(55)	51	-	-	(1)	-	-	(5)	12.31
COP Cancun 13	-	-	(116)	(0)	(116)	160	-	-	-	-	-	44	12.32
Federal PAs in Acre State	10	-	-	-	-	-	-	-	-	(10)	-	-	12.33
Promar	30	-	-	-	-	-	-	-	-	(30)	-	-	12.34
<b>Subtotal</b>	15,066	(7)	(12,424)	42	(12,389)	40,228	1,851	(327)	(64)	(5,793)	-	38,571	

	12/31/2015	Rendering of accounts in progress	Rendering of accounts sent	Others	Funds used - rendering of accounts	Funds received	Investment income	Exchange rate changes	Finance costs	Transfers, disbursements and reimbursements	FMA Transfer Covenant x Agreement	12/31/2016	Note
Transition Fund	245,635	-	-	-	-	123,057	29,107	(20,904)	(5,417)	(7,900)	-	363,578	12.1
FMA - Trust fund	25,069	-	-	-	-	1,966	3,421	-	(777)	(1,800)	(27,879)	-	12.2
Kayapo Fund	16,437	-	-	-	-	-	2,509	-	(303)	-	-	18,643	12.4
Amapa Fund	-	-	-	-	-	8,127	368	3	(146)	-	-	8,351	12.23
Bahia and Espírito Santo Fund	-	-	-	-	-	6,928	2	(79)	(15)	-	-	6,836	12.24
<b>Subtotal</b>	<b>287,141</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,078</b>	<b>35,407</b>	<b>(20,980)</b>	<b>(6,659)</b>	<b>(9,700)</b>	<b>(27,879)</b>	<b>397,408</b>	
	528,733	(313)	(81,051)	745	(80,620)	250,738	63,317	(21,931)	(6,930)	(27,591)	-	705,717	
Current	241,590											308,309	
Noncurrent	287,143											397,408	

### Movement of the 2015 projects balances

Description	Notes	12/31/2014	Rendering of accounts in progress	Rendering of accounts sent	Funds used - Rendering of accounts	Funds received	Investment income	Exchange rate changes	Finance costs	Transfers and disbursements	12/31/2015
			(a)	(b)	(a) + (b)						
Transition Fund	12.1	180,156	-	-	-	15,187	14,171	39,959	(1,338)	(2,500)	245,635
ARPA Phase 2 - BNDES	12.1	1,160	-	(1,244)	(1,244)	-	52	-	-	32	-
ARPA Phase 2 - GEF BM	12.1	3,790	(139)	(6,950)	(7,089)	5,790	339	-	(11)	(1,141)	1,678
ARPA Phase 2 - KfW	12.1	6,756	(346)	(14,497)	(14,843)	10,594	175	398	(153)	(1,455)	1,472
ARPA FT - Operating	12.1	1,433	(78)	(2,287)	(2,364)	2,500	221	-	(5)	(986)	798
ARPA FT - BID	12.1	1,710	(2)	(835)	(837)	316	135	-	(3)	(1,012)	309
FMA - Environmental Compensation	12.2	158,487	-	(12,711)	(12,711)	17,331	18,266	-	(11)	(1,589)	179,773
FMA - Trust fund	12.2	22,797	-	-	-	-	3,058	-	(786)	-	25,069
FMA - Linked Card	12.2	930	-	(631)	(631)	-	56	-	(9)	(134)	212
FMA - Other Sources	12.2	17,968	-	-	-	2,143	2,183	-	-	-	22,294
TFCA	12.3	9,806	-	(6,673)	(6,673)	551	688	-	(2)	(653)	3,717
Kayapo Fund	12.4	14,993	-	-	-	-	1,750	-	(306)	-	16,437
Kayapó	12.4	1,942	-	(1,276)	(1,276)	-	133	-	-	(22)	777
Adoption of parks	12.5	2,554	-	(655)	(655)	-	267	-	(1)	65	2,230
Juruti Sustentável Fund	12.6	3,136	-	(143)	(143)	-	358	-	-	-	3,351
FUNJUS Training	12.6	103	-	(30)	(30)	-	4	-	-	(56)	21
Probio - Opportunity Fund	12.7	10,847	-	(2,097)	(2,097)	1,368	1,114	-	-	(1,451)	9,781
w Probio II	12.7	272	-	(290)	(290)	69	3	-3	-	(51)	-
Probio Juruti Sustentável	12.7	159	(6)	(279)	(285)	200	11	-	(1)	-	84
Votorantim subproject - Implementation	12.7	-	(2)	(103)	(105)	112	3	-	-	-	10
Votorantim subproject - CP	12.7	-	(2)	(20)	(22)	330	3	-	-	(292)	19
<b>Subtotal</b>		<b>438,999</b>	<b>(575)</b>	<b>(50,721)</b>	<b>(51,295)</b>	<b>56,491</b>	<b>42,990</b>	<b>40,354</b>	<b>(2,626)</b>	<b>(11,245)</b>	<b>513,667</b>

Note (\*) The Probio Project - Opportunity Fund project includes two subprojects: Probio - Juruti Sustentável and Votorantim - Executed by Funbio and presented in specific line items; therefore, the funds for these projects - R\$ 200 and R\$ 112, respectively - are also included in the accounts rendering for Probio - Opportunity Fund project.



### **12.1 ARPA - Amazon Protected Areas Program. (ARPA – Programa Áreas Protegidas da Amazônia)**

The ARPA program is the world's largest rainforest conservation initiative. Its goal is the conservation and sustainable use of 60 million hectares – 15 percent of the Amazon region – in Protected Areas (PAs). This area is equivalent - by way of comparison - to the territory of 2 Germany.

FUNBIO is the financial manager of the program, performing the procurement and contracting activities for the PAs and managing the fund's assets, which ensures the long-term sustainability of the program, the Transition Fund (FT). This fund includes the resources from FAP (Protected Areas Fund), created during the first phase of the program, and leverages new resources from international cooperation and private donations, with the goal of achieving \$215 million.

Such resources should fund the PAs supported by ARPA in a gradual transition, until government resources cover the PA maintenance costs in full beginning in year 2039. In the second phase, ARPA supports the creation of additional 13.5 million hectares in new PAs and the consolidation of about 32 million hectares of established PAs.

In 2016 fiscal year, we highlight:

- The Transition Fund and FAP totaled R\$ 363 million, a 48-percent net increase (2015: R\$ 245 million) from new deposits received from KfW, WWF and Anglo American donations, financial investment income, and exchange rate changes – the latter was impacted by the foreign currency (US\$) devaluation of approximately 17% in the investment portfolio. In 2016, new units were consolidated and started using resources from the Transition Fund account, segregated and presented in the table above as ARPA FT – Operating;
- R\$ 15.8 million Contributed and approximately R \$ 14.5 million of the resources of the contract with World Bank of phase II in the total amount of US \$ 15.9 million were implemented;
- From the agreement with the Ministry for Economic Cooperation and Development of Germany (BMZ) entered into with KfW – Entwicklungsbank (German Development Bank), for Phase II totaling EUR 20 million, we have contributed R\$ 20.3 million and applied R\$ 15.6 million;
- The ARPA FT – Operating account received R\$ 7.9 million from the Transition Fund in 2016 and applied 7.2 million.
- Regarding the Non-Refundable Technical Cooperation entered into with the IDB – Inter-American Development Bank, totaling \$4.5 million, which provides for the Planning and Strengthening of the Transition Fund Manager for the Amazon Protected Areas Program (ARPA) for Life, R\$ 1.9 million were applied and R\$ 4.8 million were contributed in 2016 in the two agreements: MSC and SCI.



## **12.2 Mechanism for Biodiversity Conservation in the State of Rio de Janeiro (Mecanismo para a Conservação da Biodiversidade do Estado do Rio de Janeiro)**

The Mechanism for Biodiversity Conservation in the State of Rio de Janeiro, also known as Atlantic Forest Fund (FMA/RJ), has been designed to enhance the environmental investments in the state of Rio de Janeiro and provide new support options for protected areas, with agility, efficiency and transparency. Through a partnership with the Environment Department of the State of Rio de Janeiro (SEA-RJ), FUNBIO manages the FMA/RJ resources from environmental impact compensation by productive enterprises, whose payment is regulated by the SNUG – National System for Nature Conservation Units, and funds from other sources.

FMA/RJ is supported by the Agreement No. 003/2009, entered into between the State of Rio de Janeiro, through the State Environmental Secretariat (SEA), and the Brazilian Biodiversity Fund – FUNBIO, facilitated by the State Environmental Institute (INEA), aiming at the operation, maintenance and control of the mechanism. On November 14, 2016, the agreement was terminated and all procedures for finalization and accountability are in progress.

FMA / RJ, under the agreement, is composed of four financial instruments, namely: 1) Financial Instrument for Environmental Compensation; 2) Operating and Financial Instrument for Donation; 3) Trust Financial Instrument; and 4) Operating and Financial Instrument for Other Sources, which with the end of the agreement, had its resources transferred to FUNBIO's specific accounts at the "financial manager" institution of the new Operational Mechanism for the Biodiversity Conservation of the State of Rio de Janeiro, Bradesco.

Thus, in the aforementioned note's table, the resources of the ended agreement were transferred in full to the accounts opened by virtue of Cooperation Agreement 04/2016 dated August 31, 2016, signed between the State of Rio de Janeiro through the State Environmental Secretariat -SEA, FUNBIO (Operational Manager), with the intervention of the State Environmental Institute (INEA) and Bradesco (Financial Manager), according to Law 7,061, of 09/25/2015, which amended and introduced provisions to Law 6,572/2013, and in particular segregated the mentioned operational and financial mechanisms, creating for these the roles of operational manager, to be chosen through a selective process, among entities duly qualified and identified with the objectives of the projects to be executed, and the financial manager, to be selected through bidding

In 2016, within the scope of the Agreement SEA 003/2009, we highlight:

### **1) Financial Instrument for Environmental Compensation**

The key activities of the FMA/RJ include procurement and contracts for the PAs in the State, made in compliance with the projects approved by the Environmental Compensation Chamber of SEA. In addition, FMA/RJ also makes payments for protected areas land compliance, and provides linked cards, which are reloaded to cover minor expenses incurred on the maintenance of the PAs.

In 2016, the Financial Instrument for Environmental Compensation executed resources amounting to R\$15.4 million (2015 - R\$ 13.3 million), received an amount of R \$12.2 million (2015 - R\$ 17.3 million) and generated revenues amounting to R\$ 16.9 million this year. The instrument account balance, in the amount of R\$ 187.8 million, was transferred from the Agreement's Banco do Brasil account to the Cooperation Agreement's Bradesco account.

## 2) Operating and Financial Instrument for Donation

By the end of 2016 the Donation portfolio received no resources or projects for performance.

## 3) Trust Financial Instrument

Financially instituted in 2012, the Trust Fund is an instrument provided for under the SE A Agreement, aimed at providing long-term financial sustainability to Conservation Units under the management of INEA. The fund has a conservative characteristic, intended to preserve the principal capital, and its net income should be used in order to ensure the financial sustainability of the Conservation Units. By the end of 2016, all funds withdrawn from the Trust Fund were allocated to the Trust Fund Project, which is a component of the Environmental Compensation portfolio.

The amount of funds received for this portfolio until the end of 2015 was R\$ 22.1 million (R\$ 19.3 million by 2013, R\$ 901,200 in 2014; 2015, there was no inflow of funds and R\$ 1.9 million in 2016). The proceeds amounted to R\$ 3.4 million in 2016 and there have been no withdrawals for the implementation of the Trust Fund project. The transfer of all the funds, previously in custody at Itaú in an account managed by Pragma Patrimônio (Asset Manager), to the specific portfolio in the Bradesco's account was in the amount of R\$ 27.8 million.

3.a) Linked Card – Resources from the Trust Fund and/or projects approved for this specific purpose, feed the operating account of FUNBIO's linked cards. This financial mechanism is intended to supply the conservation units and centers in RJ State with resources for emergency use for eligible expenses and account rendering, as provided for in the operating manual. In 2016, 33 cards were in use and costed resources amounting to R\$ 400,000 under the Agreement. Having received the sum of R\$ 1.8 million for the project approved by the CCA.

Considering that Bradesco presented no similar product that met the needs of the park managers who are beneficiary of the prepaid linked cards, we chose to keep the account at Banco do Brasil to feed the cards. This account – BB 25.738-9 – which attended the Agreement with this particular purpose, will continue within the framework of the Cooperation Agreement and presented a balance of R\$ 1.7 million at the time of the termination of the Agreement and commencement of operations of the Agreement.

## 4) Operating and Financial Instrument for Other Sources

In 2013, FUNBIO received the first contributions to the Operating and Financial Instrument for Other Sources for the amount of R\$ 7.8 million. In 2014, the contribution received amounted to R\$ 8.7 million. In 2015, the total received amounted to R\$ 2.1 million. In 2016 there was no inflow of resources to this instrument. With approximately R\$ 5.5 million in revenue by 2016, the Other Sources financial instrument balance totaled R\$ 24.1 million, which have been transferred to the new instruments established in the Cooperation Agreement, namely: TAC – to which R\$ 10.4 million were transferred and OP Other sources – to which R\$ 13.7 million were earmarked, with no projects being allocated to this instrument.

Yet on the Agreement 003/2009, terminated on November 14, 2016, the Prosecutor's Office of the State of Rio de Janeiro initiated a Public Class Action against the State of Rio de Janeiro through INEA and FUNBIO at the 15th District of the Public Treasury of the Capital of Rio de

Janeiro in which it challenged the validity of the legal mechanism of environmental compensation in the context to make it applicable only in relation to the Parque Estadual da Costa del Sol (PECS). In a confirmation letter to the lawyers hired by FUNBIO, they informed a favorable decision in first instance and unfavorable in second instance, estimating the case value at R\$ 1 million in case of a possible unfavorable final decision.

Due to this action, SEA has agreed with FUNBIO that the latter would keep the mechanism's operating management in its various instruments and the financial control of the resources in its Bradesco accounts, ensuring the continuity of the contracts in effect and avoiding or diminishing the start of new projects to be approved under the Environmental Compensation Chamber - CCA and forwarded by the State Environmental Secretariat - SEA.

#### **FMA - Rio de Janeiro Atlantic Forest Fund – Cooperation Agreement 04/ 2016**

In 2016, under the Cooperation Agreement 04/2016, which received all the remaining funds from the Agreement SEA 003/2009 ended on November 14, 2016, we highlight the following instruments that were created pursuant to Law 6,572, dated October 31, 2013, as amended by State Law 7,061 dated September 25, 2015, in accordance with the conditions and procedures laid down in the Notice of the Public Call 01/16, in the FMA Management Manual (to be agreed by the parties), as well as Resolution SEA 491/15, as amended by Resolution 503/16.

FMA Agreement consists of 6 (six) project operating instruments, namely:

I – Environmental Compensation SNUC Operational Instrument: mechanism intended to operate projects arising from environmental compensation resources, established on the basis of art. 36 of Federal Law 9,985/00, in which the entrepreneur, after INEA's consent, chooses to deposit the funds in a specific FMA Financial Manager account for the implementation of projects approved by the Environmental Compensation Chamber of the State of Rio de Janeiro – CCA/RJ, subdivided in three ways:

- a) Projects portfolio approved by CCA/RJ: intended for the implementation of projects presented by local, state and federal environmental agencies, as well as those intended for the management of Private Reserves of the Natural Patrimony – RPPN, and approved by CCA/RJ, which have as its objective the support for the implementation and maintenance of one, or more, full protection PAs. This portfolio received the initial balance of R\$ 179.9 million from the Agreement 003/2009 ended on 11/14/ 2016. During the validity of the cooperation agreement R\$ 3.2 million were executed, R\$ 900,000 were received and the financial income for this portfolio amounted to R\$ 3.2 million. Thus, the balance of this portfolio at the end of 2016 is R\$ 180.5 million.
- b) Projects portfolio from federal environmental compensation: instrument for the implementation of projects at PA, forwarded by the Brazilian Institute of Renewable Natural Resources - IBAMA, which have as its objective the support for the implementation and maintenance of one or more State Conservation Units. This portfolio has not received funds by the end of 2016.
- c) Territory Regularization Reserve: aimed specifically to agrarian regularization of conservation units established by the Rio de Janeiro State Government, made as public domain and the expropriated owner being compensated through judicial or administrative agreement. This portfolio received resources amounting to R\$ 7.8 million from agreement

003/2009's Environmental compensation portfolio. During the validity of the Cooperation Agreement approximately R\$ 200,000 in financial income were generated and ended the year in an amount close to R\$ 8.0 million.

II – Operating Instrument for Donation: mechanism intended to operate projects from national and international donation resources aimed at biodiversity protection and conservation, approved by SEA/RJ, which is executed through projects and accompanied by FMA's computerized system. Such instrument has not received funds by the end of 2016;

III – Trust Financial Instrument: financial mechanism designed to raise funds, the principal of which, whenever possible, should be preserved to ensure the management of conservation units created by the State Government, especially its current expenses, aiming at its financial sustainability on a permanent basis. This instrument is divided between: III - Trust Fund Financial Instrument, which received R\$ 27.8 million from the transfer of the balance of the Trust Fund Instrument of the Agreement 003/2009 and during the validity of the Cooperation Agreement generated financial income amounting to R\$ 700,000, ending the year 2016 with a balance of R\$ 28.5 million; and III-B Trust Fund instrument of the Linked account consisting of a bank account number 25,738-9 at Banco do Brasil that is used to feed 33 prepaid linked cards to the Conservation Units and Centers. At the end of the Agreement 003/2009 and beginning of the Cooperation Agreement 04/2016 this account had a balance of \$ 1.7 million and during the period of the Cooperation Agreement until the end of the financial year R\$ 100,000 were used for feeding the cards and the account balance closed the year at R\$ 1.6 million.

IV – Forest Restoration Operational Instrument: mechanism intended to operate projects arising from the forest replacement obligation, provided for in Federal Law 11,428/2007, due for cutting or removal of primary or secondary vegetation in the middle or advanced stages of regeneration of the Atlantic Forest Biome, authorized by INEA, as well as other obligations consisting of forest restoration. During the validity of the Cooperation Agreement this instrument received resources in the amount of R\$ 900,000 that, after invested for a brief time, resulted in a balance of R\$ 900,000 at the end of 2016;

V – Conduct Adjustment Term Instrument - TAC: mechanism intended to operate environmental projects from TACs concluded with individuals or companies to adjust their conduct with the environmental agency in relation to environmental damages which they practiced. This instrument received R\$ 10.3 million from the Other Sources Instrument of the Agreement 003/2009 and R\$ 5.0 million already during the validity of the Cooperation Agreement 02/2016, which, plus financial income and transfers, generated a balance of R\$ 16.8 million at the end of 2016;

VI - Operational Instrument - Other Sources: mechanism to operate state environmental protection programs the origin of which is not in the hypotheses of items I, II, III, IV and V. This instrument received R\$ 13.8 million from the Other Sources Instrument of the Agreement 003/2009 and during the validity of the Cooperation Agreement 04/2016 generated R\$ 0.4 million, closing the fiscal year with a balance of R \$ 14.2 million.

In this Note's table, it is possible to identify the total resources used under each of the contractual instruments (Agreement 003/2009 and Term of Cooperation 04/2016), as well as confirm the migration of funds from the Banco do Brasil accounts to the mechanism's Financial Manager accounts, Bradesco.

### 12.3 TFCA - Tropical Forest Conservation Act

The Tropical Forest Conservation Act (TFCA) results from a bilateral agreement between Brazil and the United States, aimed at exchanging debts incurred by countries with the U.S. Government for investments in the conservation and sustainable use of forests. Worldwide, over ten countries have signed the agreement with the USA. Funbio is the executive secretariat of the TFCA Account, which receives the funds and channels these to the projects at areas with remaining Atlantic Forest, Cerrado and Caatinga biomes, which, together, cover approximately 50 percent of the country. The debt exchange total was \$20.8 million.

Since 2011, the TFCA has launched five calls for projects, which resulted in the support to 82 projects. By the end of 2014, the results of 71 projects were monitored by Funbio. The thematic lines supported include: Protected Areas; Landscape Management; Training; Species Management; Community Projects; Network Building; Training for Mobilization of Financial Resources, and support for projects in the São Francisco basin and Caatinga biome.

In 2016 the following activities were performed:

- Completion of technical and financial evaluations of the 82 projects supported by 2015;
- Launching of the Call for Projects Support in the São Francisco river basin in the Caatinga biome (3rd cycle of project support);
- Beginning of the 2nd cycle for project implementation, including meetings of the Account Committee, training of executors, preparation of operational manuals, preparation of the online system (brain) and other pertinent actions;
- Support for the RedLAC event.

During the course of 2016 the operative TFCA Account did not receive installments, considering the debt settlement. And, performed disbursements amounting to R\$ 1.5 million (2015: R\$ 6.4 million), generating income amounting to R\$ 0.3 million, with a balance available at the end of the period in the amount of R\$ 2.4 million (2015: R\$ 3.7 million).

### 12.4 Kayapo Fund (Fundo Kayapó)

Endowment established and designed by Funbio to support Kayapó organizations in the long term and increase the capacity of Kayapó Native Lands to maintain their physical integrity. FK received donations totaling R\$ 15.5 million from the Amazon Fund, through BNDES, and Conservação Internacional (CI-Brazil). Funbio is the manager of the resources, which should be allocated to projects formulated by Native Brazilian organizations linked to this ethnic group.

In 2016, there was no disbursement from the Fund, but the third call for the Kayapó Fund projects was opened, from which three new projects were selected, in the amount of R\$ 3 million, to be executed in 2017 and 2018, for three different indigenous organizations. The Fund generated a financial income of R\$ 2.5 million in the year and at the end of the year has a balance of R\$ 18.6 million. The Project's operational account disbursed the amount of R\$ 0.5 million in 2016.

At the same time, the projects of the second cycle were followed up, which responded by the following advances:

- Mapping of deforestation, forest degradation and heat sources in the Kayapó, M̃krāgnoti and Las Casas indigenous lands;

- Five expeditions of territorial monitoring in Kayapó indigenous lands;
- Support to the representation of Kayapó leaders in national forums of significant political significance for the ethnic group, as well as in several meetings in Brasília with the House and Senate, Civil House, Special Secretariat of the Presidency of the Republic, Presidency and Funai and Judicial Branch Boards;
- Support for the production, processing and marketing of chestnut, cumaru and Kayapó handicrafts (including the structuring of three handicraft shops);
- Support to the management of production chains' inventories;
- Support for the technical assistance and rural extension in several villages;
- Cost of administrative activities of the beneficiary indigenous organizations (salaries, holding of general meetings);
- Training of indigenous people in the quality production and commercialization of Kayapó handicrafts (quality of handicrafts, profile of Kayapó art shopper, handicrafts pricing and certification of origin of marketed products);
- Acquisition of audiovisual equipment for remote monitoring (External HD, Flash Drive, Drone for Aerial Images, iPhone for use in the Drone);
- Acquisition of tools and field supplies to support agrarian extraction activities;
- Acquisition of equipment and tools for the restructuring of Flour Houses;
- Preparation of videos about the production of chestnuts and indigenous political mobilization.

FUNBIO carried out monitoring visits to three Kayapó villages, located along the Xingu River: Kokraimoro, Pukararankre and Rikaró, as well as to the headquarters of the Protected Forest Association, one of the indigenous organizations beneficiary of the FK, where the technical and financial quality of the work performed by the beneficiary institution can be verified.

During the year, a meeting of the donors' committee and a technical committee were held to approve the amount to be withdrawn from the Kayapó Fund to support projects and other expenses associated to the approval the projects and the operationalization of the third cycle.

## 12.5 Adoption of parks (Adoção de Parques)

This support method, created in 2011, seeks voluntary private investment to structure and foster the maintenance of Federal, State or Municipal Protected Areas (PAs), aimed at biodiversity conservation. FUNBIO manages the donations and provides specialty procurement and hiring, financial control and reporting service. In consideration for the contribution of resources, the companies' sponsorship is recognized and they gain visibility in communication actions.

The existing agreements include:

<b>(Parks)</b>	<b>Area (thousand hectares)</b>	<b>Contractual Resources</b>
Fernando de Noronha Marine National Park	10.9	R\$ 4.3 million - OGX
Lençóis Maranhenses National Park	155	R\$ 3.5 million – MPX/ ENEVA

In 2016, the funds contributed by OGX and Eneva, formerly MPX, continued to be applied to the Fernando de Noronha (PE) and the Lençóis Maranhenses (MA) National Parks, respectively. The current planning seeks the application of the resources previously released by donors, without considering installments to be released.

Since the beginning of the project, infrastructure works were performed as follows:

- At Lençóis Maranhenses, the main ones included : the construction of the bridge over Cedro creek, which provides access to Lagoa Azul (Blue Lagoon), one of the main sights of the Park); construction of the nautical/land garage; renovation of the Atins Outpost, which includes accommodation and the administrative sub-office of the Park; renovation and maintenance of all vehicles, including boats, cars and quads, construction of the administrative office of the park and inspection of the work and maintenance of infrastructure and equipment. This renovation and maintenance work was key for the enforcement activities.
- At Fernando de Noronha, the following works were implemented: renovation and expansion of the administrative office; draft of the project for renovation and expansion of researchers' accommodation; procurement of goods and maintenance of vehicles and existing infrastructure in the Park. Furniture and equipment in the researchers' accommodations, renovation of the functional apartment of the Park's head, drafting of the project for the renovation of Mirante do Boldró.

The program also relies on a contribution for the original amount of R\$ 300,000 made by BP Brasil in 2012 to support actions related to environmental management of UCs; the project draft is underway.

At the end of the 2016 fiscal year, the balance of the Park Adoption Program amounts to R\$ 0.6 million (2015: R\$ 2.2 million), and R\$ 1.8 million (2015: R\$ 655,000) was applied to its activities. There were no fund contributions in 2015 and 2016.

## **12.6 Juruti Sustentável Program – Funjus and Conjus (Programa Juriti Sustentável – Funjus e Conjus)**

The Juruti Sustentável Fund (Funjus) is an innovative experience for financial support to the implementation of social-environmental projects in the municipality of Juruti, State of Pará. Developed by FUNBIO, it integrates the Juruti Sustentável development strategy, which also includes the advisory forum known as Juruti Sustentável Council (Conjus) and Development Indicators, with a baseline designed by Getúlio Vargas Foundation (GV-CES) using a methodology based on joint construction with the community.

Year 2013 marked the beginning of a transition phase for Funjus. FUNBIO, which manages the fund since its inception four years ago, started an operating transition that assigns to Conjus the selection and implementation of the next invitations to bid. To fulfill this transition plan, a three-month training course is planned for the local Conjus team, as well as monitoring, totaling 18 months starting in January 2014. This training was completed in the first half of 2016.

In 2014, the information transfer model planned in the aforementioned transition consisted of training on management tools, divided into 12 modules addressing the following topics: introduction to the concepts of funds; board management; management of the executive secretariat; donor management; communication plan; information and documents management; selection; hiring; performance; monitoring and assessment; financial planning; and accounting control. Still in 2014, transfers were made for Conjus formalization and to the Chelonia Conservation Project.

The modules have been divided into five meetings held in Juruti: four from May to November 2014 and the last one held in 2015, at Funbio, intended to introduce the work of other partners. At the same time, the activities of the new Funjus executive secretary was supervised, including guidance on the operation procedures, as well as the financial management of the Fund's assets.

FUNBIO is the depositary of Funjus' resources, safeguarding and managing the investments and making disbursements to Conjus as required. At the end of 2015 fiscal year, Funjus balance amounted to R\$ 3.4 million (2014: R\$ 3.1 million).

In 2016, the total balance of the Project was transferred, amounting to R\$ 3.5 million, to IJUS - Instituto Juruti Sustentável, an institute created to carry out the Conjus' activities. This final stage consolidates the success in the Project's implementation with the local training of the entity, and FUNBIO integrally fulfilled its role.

### **12.7 Opportunities Fund of Probio II Project - National Project of Integrated Public Private Actions for Biodiversity (Fundo de Oportunidade do Projeto Probio II – Projeto Nacional de Ações Integradas Público Privadas para Biodiversidade)**

Probio II ended in 2014 and finalized its rendering of accounts in 2015, with partnerships with the private sector for the implementation of 7 sub- projects in 6 productive territories to include appropriate practices and biodiversity-favorable strategies. These territories are divided into three biomes – the Amazon, the Atlantic Forest and Pampa.

The strategy was to focus on territories with multiple industries, such as agriculture, livestock, aquaculture, forestry and extraction, located in priority biodiversity conservation areas. To ensure the sustainability of the actions in the medium and long term, different agendas were prepared, including strengthening the productive chains, fostering native species forestry, organic food production, new financial arrangements embedding the environmental component, biodiversity and health.

To support and continue to support the sub-projects, Probio II established the Opportunity Fund, a financial mechanism that enables adding biodiversity conservation to private sector initiatives.

Through the Opportunity Fund, the sub-projects receive funds to carry out work in productive chains in all six territories, as well as monitoring actions to assess the results achieved. The initial contribution to the Opportunities Fund amounted to R\$ 13.2 million.

In 2016, the following actions were carried out under the Opportunities Fund:

- The Opportunities Fund Technical Committee met once for the evaluation of the territorial subprojects in execution and approval of the change of the object and location of the TNC subproject;



- Under implementation are 4 territorial subprojects:
  - "Promotion of the Forest Economy (cacao cabruca, tourism, tropical forestry and PSA) on the South Coast of Bahia", in partnership with the Arapyaú Institute of Education and Sustainable Development;
  - Incorporating environmental sustainability into the Pulp production chain in the ES: renewable forest allied with biodiversity conservation;
  - "Forest Economics - A demonstrative initiative at the Resex Tapajós-Arapiuns", in partnership with the Center for Advanced Studies in Social and Environmental Promotion / Projeto Saúde e Alegria;
  - "Wild life health and digital inclusion: the participation of communities in the monitoring and application of good practices for control and prevention of emerging zoonoses", in partnership with Fundação Oswaldo Cruz / FIOTEC;
- 2 territorial subprojects were closed:
  - "Promotion of Sustainable Territorial Development in the Municipality of Juruti and surroundings", in partnership with Juruti Sustentável Council;
  - "Planning and management of a sustainability territory: conservation, environmental services, local communities' engagement and socioeconomic development in the Ribeira Valley, SP", in partnership with Votorantim Industrial.
- The Subproject "Promotion of Good Animal Husbandry Practices for the Conservation and Sustainable Use of Native Fields of the Pampa Biome - PROPEC PAMPA / FUNBIO", in partnership with the National Rural Apprenticeship Service (SENAR / RS) did not begin its execution;

During 2016, the Opportunities Fund disbursed the amount of R\$ 1.5 million in the initiatives above. The Fund has a balance of R\$ 7.6 million at the end of the fiscal year.

#### **12.8 GEF Cerrado - Sustainable Cerrado Initiative (GEF Cerrado – Iniciativa Cerrado Sustentável)**

Project closed per the "Closing Notice" issued by the World Bank in November 2015, achieving the goal of supporting the Brazilian Ministry of Environment in formulating and implementing policies and monitoring the Cerrado biome. In addition to coordinating and overseeing the initiative, the "Policies and monitoring for the Cerrado biome" project created instruments to implement part of the Cerrado Sustentável Program goals and guidelines. These goals include strengthening the National Protected Areas System in the Cerrado by creating PAs; through the sustainable use of biodiversity within the productive landscape; by developing and strengthening of public policies; by strengthening the effective management of the units; and by monitoring the biome.

At the beginning of 2016 the closure of the project's accounts was carried out, with the proper allocation of surplus amounts.

#### **12.9 GEF Pollinators - Conservation and Management of Pollinators for Sustainable Agriculture through an Ecosystem-Based Approach – Brazilian Pollinators ( GEF Polinizadores – Conservação e Manejo de Polinizadores para uma Agricultura Sustentável por meio de uma Abordagem Ecosistêmica – Polinizadores do Brasil)**

Initiative of the UN Food and Agriculture Organization (FAO), supported by the United Nations Environment Program (UNEP) and funded by the Global Environment Facility (GEF).

The project aimed at consolidating an integrated knowledge base on pollination services; promoting effective conservation and sustainable use of pollinators for agriculture; expanding the farmers' and small landowners' ability to conserve and use pollination services in a sustainable fashion; and fostering public policies and public awareness actions.

Overall, 57 fellows from 19 institutions in over than 10 Brazilian states were supported, who worked in the generation of primary data on pollinators. Five new bee species were identified with the support of the project. Over 40 publications and studies were prepared, yielding – in addition to important information and curious facts – nine good practices to boost pollination in the field. In 2015, the project also prepared the Good Practices Guide for Farmers and seven management plans for the following crops: cashew, apple, canola, tomatoes, melons, nuts and cotton.

To disseminate the results, a partnership with the "Bee or not to be" campaign was established, directed primarily to farmers. The campaign included creating a Website containing information on pollinators; preparing an educational booklet for 8 to 11 years old children; placing radio spots in 200 cities and 10 states, as well as various information bits on social media. A partnership with Rio de Janeiro State's Education Department of delivered 200 primers, intended for 33 classes at 17 schools, reaching over 700 students. At the Brazilian Pollinators Network website (<http://www.polinizadoresdobrasil.org.br/index.php/en/redes>), the key results of the project were disclosed.

In 2016, the project was closed with the diagramming, dissemination on websites, printing and distribution of 20,000 copies of eight publications, namely: canola management plan; apple management plan; tomato management plan; cotton management plan; chestnut management plan; melon management plan; good practices manual for farmers and the booklet "More bees, more cotton". The implementation in 2016 was in the amount of R\$ 100,000.

#### **12.10 Fauna Brasil Portfolio ( Carteira Fauna Brasil)**

The Brazilian Fauna and Fishing Resources Conservation Portfolio – Fauna Brasil Portfolio is a financial mechanism that receives funds from criminal penalties, environmental administrative fines, donations, sponsorships and other sources. Result of a partnership with Ibama (Brazilian Institute for the Environment and Natural Resources), ICMBio and the Federal Prosecutor's Office, it is intended to fund endangered Brazilian fauna conservation programs and projects.

For the Ararinha na Natureza project in 2015, the Fauna Portfolio supported the arrival of two Spix's macaw (*Cyanopsitta spixii*) couples donated to the Brazilian government. One came from Germany, and one came from Qatar, and the periodic monitoring meeting of the National Action Plan (NAP) for the species was held at the headquarters of Al Wabra, in Qatar, the primary breeding site for the species, which was extinct in nature in year 2000. In 2016 R\$ 388 thousand (2015: R\$ 111 thousand) were applied and the project's financial balance at the end of the year amounts to R\$ 638 thousand (2015: R\$ 1.1 million).

In the Sirênios project, virtually closed in 2015, the budget for the use of the project's balance, which at the end of 2016 amounts to R\$119,000, was discussed.

The Fauna Fund presents a balance of R\$ 550,000 at the end of 2016 (2015: R \$543,000), having received during this period R\$ 29 thousand and generated income of approximately R\$ 67 thousand.

In 2016, the Fauna Portfolio continued the Support and monitoring the implementation of 11 projects for conservation of Brazilian endangered species, such as reef fish, sea turtles, marine mammals (including porpoise, humpback whale and manatee), medium and large feline in the northern region of Rondonia State, red-tailed amazon and Spix's macaw.

Other actions in 2016 were: the return of the Ongoing Fauna Projects Showcase; and the renewal of the Technical Cooperation Agreement signed between FUNBIO, ICMBio, IBAMA and Federal Public Ministry for implementation of Fauna Brasil Portfolio.

#### **12.11 Commitment to Amazon – ARPA for Life – New Sources (Compromisso pela Amazônia – Arpa para a Vida – Novas Fontes)**

The ARPA for Life project is intended to create and implement a new funding strategy for the ARPA program – Amazon Protected Areas. The model combines the resources currently deposited to the Protected Areas Fund (Fundo de Áreas Protegidas, FAP) with private, bilateral and multilateral investments, creating a transition fund. This fund will enable gradually increasing the public funds at the Protected Areas, within 25 years, to achieve the financial sustainability of the program.

Launched during Rio+20, the initiative brings together the WWF, Funbio, Linden Trust for Conservation, the Gordon and Betty Moore Foundation, the Brazilian Ministry of Environment (MMA), and ICMBio, supported of other ARPA partners.

In 2016 the results achieved were: Review of the project strategy with the AM (finalization phase) and the Fund Amapá Capitalization (via CI and Global Conservation Fund)

In 2016 R\$ 21 thousand were applied (2015: R\$ 279 thousand) considering the reimbursement installments for FUNBIO's team. And the project-related funds balance amounts to R\$ 115 thousand.

#### **12.12 RedLAC Training Project for Environmental Funds (Projeto de Capacitação da RedLac para Fundos Ambientais)**

The Project, virtually closed in 2015, is intended to strengthen the funds regarding their operation and the use of innovative financial mechanisms to reduce reliance on donations and diversify the funding sources. The project, which brings together funds from Latin America, the Caribbean and Africa, fosters the exchange of experiences; building case studies and best practices; building methodologies in working groups and pilot projects to test new conservation mechanisms.

The Project also co-funded five pilot projects to test innovative financial mechanisms, which were intended to link the funds to new funding sources. The key results include the creation of the African Environmental Funds Network (CAFE), which now works in conjunction with RedLAC on a new project to strengthen the funds of both regions – Project K – started in 2015 and forecast to end in 2018.

All content created during the four years of the project was translated into English, Spanish and French, being available on Funbio and RedLAC websites. In 2016 the remaining resources were used for the final publications.

### **12.13 GEF Nutrition – Conservation and Sustainable Use of Biodiversity for Improved Human Nutrition and Well-Being (GEF Nutrição – Conservação e Uso Sustentável da Biodiversidade para a Melhoria da Nutrição e Bem Estar Humano)**

The project works to foster native species with high nutritional value, but unknown or little used in the Brazilian daily diet due to cultural reasons. In addition to fostering scientific knowledge of these species, the project focuses on disseminating information and on public policy for the procurement of food, minimum price and introduction of produce from the Brazilian biodiversity in school meals and in government food programs.

This project, in a partnership with Biodiversity International and funded by the Global Environmental Facility (GEF) through the Food and Agriculture Organization (FAO) and the United Nations Environment Program (UNEP), started in the second half of 2012. FUNBIO is responsible for managing the project funds in Brazil.

In 2016 the following activities and results were achieved by the Project:

- Data compiled for 49 priority species by partner universities showed a lack of reliable data about dietary fiber, vitamins and minerals for most species. The analysis of the food compositions is being performed to fill this data gap by partnerships with the Federal University of Ceará (UFC), Goiás (UFG), São Paulo (UNIFESP), Rio Grande do Sul (UFRGS) and Instituto Nacional de Pesquisas da Amazônia (INPA). The nutritional analysis for over 20 species is being carried out by the Brazilian Agricultural Research Corporation (EMBRAPA);
- A survey about traditional knowledge about the use of priority species in quilombolas communities of the Midwest was conducted by UFG, and in the Northeast by UFC, resulting in the publication of 2 dissertations at UFG and 3 bachelor theses at UFC;
- Additional information is being used to identify opportunities and barriers for the inclusion of some of these species in the National School Feeding Program (PNAE);
- To date, the partnership with universities and research institutes has resulted in the publication of:
  - 2 masters' dissertations at UFC in the first semester of 2016
  - 3 degree theses at UFC in the first semester of 2016
  - 2 masters' dissertations at UFG in the first semester of 2016
  - 2 masters' dissertations at USP in 2015
  - 1 masters' dissertations at UNIFESP in the second semester of 2016
- The Plants for the Future initiative continues to compile and document the traditional and scientific knowledge of priority species of the Midwest, North, Northeast and Southeast regions of Brazil. The collaboration with EMBRAPA's Horticultural Division (EMBRAPA Hortaliças) led to the inclusion of six native plants in the "Plants for the Future" publication for the Midwest region, which was completed in December 2016 and is currently being evaluated by MMA's Editorial Committee;

And moreover, project's publications and international dissemination; National Committee Meeting in November 2016; Review of the Project's Compromise in Brazil, with visits to partners and review of results achieved; Project's International Committee Meeting in November 2016 in Turkey; Annual budget and project review; Preparation of LOA 2017.

In 2016 R\$ 991 thousand were applied by the project (2015: R\$ 449 thousand) and R\$ 822 thousand (2015: R\$ 984 thousand) were received, with resources in the project amounting to R\$ 1.04 million (2015: R\$ 1.2 million).

#### **12.14 Paiter Surui Fund ( Fundo Paiter Surui)**

The Paiter Surui Fund is a financial mechanism aimed at implementing the Sete de Setembro Native Land Management Plan, based on good governance and transparency principles, with the active involvement of Native Brazilian representative councils in the decisions. The funds from the sale of carbon credits and from other sources will be integral parts of the Paiter Surui Fund, which has Funbio as the party responsible for its design and financial management.

The Surui Indians fight for the conservation of their natural resources, and, in the last decade, led by Almir Surui, drew up a strategic 50-year plan for the conservation, protection and sustainability of their land. To fund this plan, they developed a REDD+ carbon project and a fund to receive the financial resources from the sale of carbon credits, as well as resources from other sources. FUNBIO designed and manages the fund, which funds the projects proposed by the Surui people associations.

In 2014, cash disbursements were made to the associations, as well as two training programs. The first one was to Metareilá Association, on the fund management tools; and the second one was directed at Native Brazilian associations, on community project management tools.

Also, all credits from the first verification period were sold, as follows: 170,000 VCUs (Verified Carbon Units) for Natura's voluntary GHG emission compensation program, and 75,000 VCUs for the Carbon Neutral Company Limited, aimed at neutralizing GHG emissions associated with FIFA World Cup Brazil 2014.

This project contributes to the consolidation and achievement of the proposals and goals set by the National Climate Change Policy (NPCC) and the Action Plan for Deforestation Prevention and Control in the Amazon (PPCDAM). On a regional scale, the project is combined with the goals of the Deforestation Prevention and Elimination for the State of Rondônia.

In 2016, R\$ 347 thousand (2015: R\$ 779 thousand) were applied and new inflows of resources amounted to R\$ 33 thousand (2015: there were no inflows of resources). Income of approximately R\$ 76 thousand (2015: R \$124 thousand) were generated. The operating account balance at the end of the year amounts to R\$ 654 thousand (2015: R\$ 1.1 million).

#### **12.15 REDD + at PAs – Forest Carbon Credit Demonstration Project at Tapajós- Arapiuns Resex (ICCO Foundation)**

The REDD + at PAs – Forest Carbon Credit Demonstration Project at Tapajós-Arapiuns Resex is the result of a partnership between Tapajoara Association, the Chico Mendes Institute for Biodiversity Conservation (ICMbio), the Brazilian Biodiversity Fund (Funbio) and the Center for Environment, Economy and Society at Columbia University (CEES), with the technical support from Biofílica Investimentos Ambientais S.A. and funded by ICCO Foundation, in the amount of EUR 250,000.00.

The project is intended to implement a Forest Carbon demonstration project using the Rainforest Standard Protected Area Credits, (The RFSPAC™) system, as a funding alternative in the Tapajós-Arapiuns Extractive Reserve Management Plan activities.

The project started in July 2014, with the presentation of the proposal to the Advisory Board of the Tapajós-Arapiuns Extractive Reserve, which accepted it. In October 2014, ICCO Foundation and Funbio signed the agreement to develop and fund the project. In December 2014, the first installment of the funding was deposited. That same month, Funbio and Bioflica signed an agreement aimed at promoting the development of the work of preparing a Map of the Protected Area and a Project Design Document for the preparation of a Forest Carbon Credit Demonstration Project for the Tapajós-Arapiuns Extractive Reserve (the "Project"), following the principles and criteria set by the "Rainforest Standard for Protected Areas Credit" (the "Certification").

In August 2015, with approximately half of the field work completed, ICMBio suspended the project due to Native Brazilians' demonstrations related primarily to issues beyond the project scope (demarcation of Native Brazilian territories). Such circumstances were not foreseen and prevented the project from completing the scheduled work, which is why the investments were lower than expected. Thus, as the project has not been completed, Funbio sent, on February 11, 2016, the final rendering of accounts to the donor, and is waiting for guidance to apply the balance of the remaining funds.

In 2016 the ICCO Foundation guided FUNBIO to proceed with the return of the project's financial balance. R\$ 287 thousand have been returned, following recognition of net financial income of R \$6 thousand and exchange loss amounting to R\$ 34 thousand.

#### **12.16 Protected Marine Areas Project - GEF SEA (Projeto Áreas Marinhas Protegidas)**

The Project is intended to support the creation and implementation of a representative, effective system for marine and coastal protected areas (AMCPs) to reduce biodiversity losses. It is a comprehensive action plan, where multiple agendas can be integrated in support of marine and coastal conservation. This is an initiative by FUNBIO in conjunction with the Brazilian Ministry of Environment (MMA), ICMBio, Ministry of Mines and Energy (MME/Petrobras), funded by the Global Environment Facility (GEF) through the World Bank. The main goal is creating and consolidating 120,000 square kilometers of marine protected areas. Thus, the percentage of protected areas in Brazil will jump from 1.5 percent to 5 percent.

GEF Sea is valued at approximately \$116 million, relying on \$18.2 million in investments from GEF, \$20 million from Petrobras and consideration from the company itself in economically measurable goods and services, which amount to additional \$70 million. The project also relies on consideration from the MMA and ICMBio.

This project is an example of the private sector involvement and the government commitment to the marine biodiversity conservation, being considered by the World Bank as a model for the Global Partnership for Oceans (GPO), a growing alliance of more than 100 governments, international organizations, the private sector and civil society groups, including Funbio, committed to the conservation of the oceans.

In early 2014, the first workshop to assess the demands of Protected Areas (PAs) and research centers was held, in order to support the preparation of annual operating plans that detail the activities and resources required to implement the project.

Negotiations on the agreement terms, disbursement conditions and project details were conducted by the World Bank with the involvement of all partners, and, also in 2014, the Donation Agreement between Funbio and the World Bank was executed, as well as the Technical Cooperation Agreements between Funbio and the MMA, and between Funbio and ICMBio, which allowed the project to be effective before the turn of the year, and no funds were received until the end of 2014.

In 2015, the first funds for the project were received (\$3.6 million), and R\$ 908,000 were applied.

In 2016 R\$ 3.1 million were received in contributions to the project and R\$ 3.3 million were applied, with the completion of the following activities:

- Project's GT Component 2 maintenance (Financial Sustainability);
- Workshop for review of the activities planning and training in operational procedures, involving the managers of all the Project executing units (ICMBio) and MMA;
- 3rd and 4th Project Supervision Missions (Lagoa do Peixe National Park, National Marine Park and the Environmental Protection Area of Fernando de Noronha);
- Support to community participation projects;
- Regular meetings of project coordination, with MMA, ICMBio and World Bank;
- Delivery of the first batches of goods purchased by FUNBIO to the Project;
- Continuation of negotiations with Petrobras through MMA;
- Component 2: beginning of the funding sources mapping and support to the cost model;
- Implementation of innovative execution mechanisms, such as procurement and local hires and fuel and meal cards and umbrella contracts for recurrent demands.

#### **12.17 Project K - "KNOWLEDGE FOR ACTION"**

The project is intended to strengthen the funds regarding their operation and the use of innovative financial mechanisms to reduce such reliance and diversify the funding sources. In addition to training workshops with different themes and mentoring for pairs of environmental funds, the project will co-fund the implementation of innovative financial tools through a call for proposals directed to environmental funds in Latin America and the Caribbean (RedLAC) and the African Funds Consortium (CAFE). The initiative relies on resources amounting to EUR 1.6 million + \$900,000 guaranteed by FFEM, Mava Foundation and GEF.

The main results in 2016 were:

- Funding 10 pre-feasibility studies for innovative financing tools;
- Selection of 5 of the studies above for the implementation of a pilot;
- Support for mentoring activities among 7 peers 1 Funding group (RedLAC and CAFÉ);
- Conduct of 2 training workshops: Brasil and Malawi;
- Development of a study on networks, resulting in the development of a baseline and monitoring by indicators plan;

- Project communication at the International Conference on Conservation (IUCN Hawaii) and in RedLAC meetings (Brazil) and CAFÉ (Malawi).

The project applied resources amounting to R\$ 1.8 million (2015: 458 thousand) and presented a financial balance under the line item project resources of R\$ 2 million at the end of 2016 (2015: 83 thousand).

### **12.18 Moore Sustentabilidade Project (Projeto Moore Sustentabilidade)**

The project is aimed at the financial sustainability of protected areas in the Amazon, including ARPA zones, enhanced through the consolidation of compensation mechanisms and alternative funding sources to four key states in the Brazilian Amazon (Amapá, Pará, Rondônia and Amazonas) and the Federal Government. The project starts with a \$700,000 donation from the Gordon and Betty Moore Foundation and the Linden Trust for Conservation;

In 2016 R\$ 210 thousand were applied from project's resources (2015: R\$ 892 thousand) and R\$ 659 thousand received (2015: R\$ 1.9 million).

The main results in 2016 were:

- Three dialogue events on environmental offsetting (Pará and Cuiabá) in partnership with Abrampa and Coalizão Pro-UC;
- Training of FUNBIO's team in tax law, with a focus on realized credits;
- Beginning of the tax credit strategies design;
- Establishment of the Working Group on Conservation Financing at Coalizão Pró-UC, led by FUNBIO;
- Establishment of partnership with Abrampa to discuss legal obligations such as the conservation financing instrument;
- Design of Private Fund strategy for environmental compensation, in partnership with the private sector itself.

### **12.19 Conduct Adjustment Commitment Execution – Chevron do Brasil ( Termo de Execução de TAC – Chevron do Brasil)**

The execution of a Conduct Adjustment Commitment (Termo de Ajustamento de Conduta, TAC) by the company Chevron Brasil and the Federal Prosecutor's Office, with the participation of the National Petroleum Agency (Agência Nacional de Petróleo, ANP) and the Brazilian Environment and Renewable Natural Resources Institute (IBAMA) gave rise to five projects, amounting to R\$ 73 million, oriented to the conservation of the marine-coastal environment in the State of Rio de Janeiro and part of the State of Espírito Santo. These include:

- a) Porpoise Conservation in Management Area I (Franciscana Management Area I – FMA I)

The first project is intended to support activities identified as priorities for the conservation of porpoise by generating knowledge on the biology, ecology and population viability of the species in the Management Area (FMA I) and the dissemination of knowledge acquired, through feasibility studies that technically and scientifically support the actions proposed to the porpoise PAN. The focus is on three goals of the Porpoise Management Plan: support to actions contributing to the



generation of input to assess the population viability in Management Area I (FMA I) (Goal # 1); proposal and implementation of fishing management measures for driftnet fishing, suitable for the conservation of porpoise (Goal # 2); and increasing the biological and ecological knowledge of porpoise (Goal # 6).

In 2016 the project promoted the formation of the Technical Chamber, composed of experts, including Government representatives and the release of two Calls for Projects, which resulted in the selection of three research sub-projects, covering the entire Management Area I (FMA), the training of personnel responsible for the subprojects and the start of the effective support through transfer of resources. In 2016 the project's logo was also created, with the objective to give a visual identity to the project.

In this fiscal year, the project received resources amounting to R\$ 3.9 million and applied R\$ 623 thousand. A portion of the contract in the amount of R\$ 1.08 million was deposited in FUNBIO's account related to another project - FMA TAC, see item 12.2 above - this deposit was correctly reversed to this project soon after the closing of the fiscal year, 12/31/2016.

#### b) Project to Support Marine and Fishing Research in Rio de Janeiro

The second project is intended to support the generation and dissemination of scientific research focused on the biology, ecology and population dynamics of targeted fishing species; status of fishing stocks; fisheries unloading; and nutritional aspects of target species, in order to subsidize the sustainable use of fisheries resources in the state of Rio de Janeiro, as well as contributing to the recovery and sustainable use of true sardines through the feasibility of actions proposed in this species' Management Plan, focusing on the State of Rio de Janeiro.

In 2016 the Technical Chamber was formed, composed of experts, the release of three Calls for Projects, which resulted in the selection of fifteen research sub-projects, the training of personnel responsible for the subprojects and the start of the effective support through transfer of resources. In addition, the logo (Marine Research) was developed, to give a visual identity to the project.

In this fiscal year, the project received resources amounting to R\$ 11.0 million and applied R\$ 2.8 million.

#### c) Implementation of a Wild Animal Rehabilitation Center - CRAS – in the State of Rio de Janeiro

The Implementation of a Wild Animal Rehabilitation Center -CRAS – in the State of Rio de Janeiro project aims to contribute to the protection of the marine and coastal wildlife in the State of Rio de Janeiro through: (i) routine receiving, handling and destination (including release) of wild animals rescued; (ii) availability of facilities planned for the care of wildlife impacted by environmental emergencies; (iii) advances in the knowledge of the effects of oil and captivity on the coastal and marine fauna; and (iv) improvement of professionals in the areas of Medicine and Wildlife Conservation, through the evaluation and modification of response protocols, development of new therapies and post-release survival monitoring. The project is in the effectiveness period.

- d) Biodiversity conservation and sustainable use in the Federal Coastal and Estuarine Protected Areas of the State of Rio de Janeiro

The Biodiversity Conservation and Sustainable Use in Federal Coastal Protected areas project aims to promote the biodiversity conservation in the coastal and marine zone of the State of Rio de Janeiro, as well as the sustainable use of fisheries resources and the strengthening of small-scale fishing, by strengthening and supporting the biodiversity conservation and sustainable use in protected areas in Federal coastal and estuarine of the State of Rio de Janeiro. There will be activities aimed at the consolidation and/or deployment of five coastal and estuarine Protected Areas in the State of Rio de Janeiro:

- (i) Extractive Reserve (RESEX) Marinha de Arraial do Cabo, located in the municipality of Arraial do Cabo, Region of Lagos;
- (ii) Environmental Protection Area (APA) Guapi-Mirim, located in part of the municipalities of Magé, Itaboraí, Guapimirim and São Gonçalo;
- (iii) Ecological Station (ESEC) of Guanabara, located in the cities of Itaboraí and Guapimirim;
- (iv) National Park (PARNA) of Restinga de Jurubatiba, located in the cities of Macaé, Carapebus and Quissamã; and
- (v) Tamoios Ecological Station (ESEC), between the municipalities of Angra dos Reis and Paraty.

- e) Implementation of Environmental Education Projects and Income Generation for Fishing Communities.

The Implementation of Environmental Education Projects and Income Generation for Fishing Communities projects aim to promote the biodiversity conservation in the coastal and marine zone of the State of Rio de Janeiro; the sustainable use of fisheries resources in the State and the strengthening of small-scale fishing as a long-term strategy to contribute to the activity's environmental, social and economic sustainability, through the implementation of environmental education projects and income generation. The project is in the effectiveness period.

#### **12.20 Conduct Adjustment Commitment Execution – Aerovale ( Termo de Execução de TAC – Aerovale)**

The Pecuniary Environmental Compensation for the Aerovale Development in the Municipality of Caçapava/SP project comes from the Definitive Judicial Agreement Term, signed on November 30, 2015, by the Prosecutor's Office of the State of São Paulo, C.E.A. - Centro Empresarial Aeroespacial Incorporadora Ltda. and Penido Construtora e Pavimentadora Ltda.

The project implementation started in 2016, after the signing of the non-reimbursable financial collaboration contract between C.E.A., Penido and FUNBIO, on January 25, 2016, in the total amount of R\$1,141,040.90 (one million, one hundred and forty-one thousand, forty reais and 90 cents).

The Project features three objectives that should be reached by February 2019. The first aims to develop the Management Plans of two Protected Areas (UCs) located in the municipality of Caçapava, the Environmental Protection Area of Serra do Palmital and Wildlife Refuge of Mata da Represa. The second includes the restoration and adaptation of the kennel and cattery maintained

by AMAIS - Best Friends Animal Association of Caçapava and the third provides for the implementation of the Zoonoses Control Center in the city of Caçapava.

In the first year of implementation, a sanitary sewage project for AMAIX has been prepared and the activities for the preparation of the Management Plans were initiated, with disbursements amounting to R\$ 74 thousand and receipts amounting to R\$ 396 thousand.

#### **12.21 Project of Support to the R20 activities in Brazil (Projeto de Suporte e Apoio às atividades da R20 no Brasil)**

R 20 – Regions of Climate Action, is a non-governmental organization founded in 2010 in California, United States of America that signed a partnership agreement with FUNBIO with the objective of operational support for the management of resources contributed by and for R20, consisting of financial resource management for the feasibility of the initial resources receipts and payments for the R20 activities in Brazil.

In the first year of the partnership R\$ 474 thousand were received and R\$ 454 thousand were applied.

#### **12.22 Amazon Live - 1 Million Trees at the Xingu River spring (Rock in Rio and ISA) – Amazônia Live – 1 Milhão de Árvores nas nascentes do Rio Xingu (Rio in Rio e ISA)**

A Rock World S.A. Initiative, which is the promoter of the Rock in Rio event, FUNBIO was cast for the financial management of resources from an initial cooperation of R\$ 3 million to plant 1 million trees at the Xingu River headwaters in the State of Mato Grosso. The action found in the Socio-Environmental Institute and in the Xingu Seeds Network the ideal partners to achieve the proposed target, through a planting technique known as "muvuca" which guarantees the species variety in the same territory.

In addition to the initial donation, which will take place gradually as the need for planting, Rock in Rio, through the Amazon Live Project, strives to raise funds through voluntary donations in "crowdfunding" websites, donations of goods for auctions, donations from sponsors, always aiming at enlarging the amount of trees to be planted.

In the first year of the project the amount of R\$ 693 thousand was received at FUNBIO and R\$ 430 thousand were applied to ensure the purchase of seeds for the early planting period.

#### **12.23 Amapá Fund (Fundo Amapá)**

The Amapá Fund was designed by FUNBIO with support from Fundação Gordon e Betty Moore and CI-Brasil, and in close cooperation with the Amapá Environment Secretariat team to allocate resources for the maintenance of biodiversity protected areas in the State. Released in 2015, it had an initial contribution of \$ 2.5 million donated by the Global Conservation Fund (GCF), Conservation International and State contribution of R\$1 million.

The mechanism foresees the funding from diversified sources such as TACs, donations and payments for environmental services. The goal is to give agility to the implementation and flexibility in the allocation of resources in protected areas, in a manner that meets the real needs of the Protected Areas (UCs) of the most preserved state of Brazil.

FUNBIO ensures the hiring of a professional assets manager for compliance with the investment policy proposed by the fund. The first contribution occurred in 2016, in the amount of R\$ 8.1 million.

#### **12.24 Bahia and Espírito Santo Fund– Atlantic Forest Protected Areas Fund (AFPA Fund)**

The AFPA Fund, also known as "Bahia Fund". was designed by FUNBIO with support from the Fundação Gordon e Betty Moore and CI-Brasil, and in close coordination with the Chico Mendes Institute for Biodiversity Conservation (ICMbio), to allocate resources to ensure the biodiversity viability and sustainability of 29 biodiversity protected areas located in the States of Bahia and Espírito Santo. Released in 2016, had an initial contribution of \$ 2.1 million donated by the Global Conservation Fund (GCF), from Conservation International.

FUNBIO ensures the hiring of a professional assets manager for compliance with the investment policy proposed by the fund. The first contribution occurred in 2016, in the amount of R\$ 6.9 million.

#### **12.25 GEF Mangrove – Effective conservation and sustainable use of Mangrove Ecosystems in Brazil (GEF Mangue – Conservação efetiva e Uso Sustentável de Ecossistemas Manguezais no Brasil)**

FUNBIO was hired by the United Nations Development Program – UNDP to carry out a compilation of studies and experiences on the economic benefits provided by mangroves to the local, regional and global society. The need for financing protected areas with mangroves and the economic instruments to support financial sustainability, targeting the proposition and/or statement about approaches for the consolidation of financial mechanisms for the protection and this ecosystem's conservation.

The project started in 2015, but only in 2016 resources were operated for the its implementation. In 2016 R\$ 444 thousand relating to the proposal were received and applied.

The results obtained with the initiative were:

- Study of the UCs with mangrove' financial environment (costs, current sources, financial gap and potential sources);
- Systematization of information on mangrove ecosystems' economic benefits to society;
- Mapping, classification and prioritization of fund sources for the UCs with mangrove and suggestion of financing strategy;
- Proposition of a financing strategy and a feasibility study for setting up a financial mechanism (fund) for management of prioritized resources;
- Workshop on economic instruments for the protection of mangroves.

### **12.26 SVA Innovation – Design of a Financial Mechanism of Forestry Chain Dynamization(Inovação SVA – Desenho de um Mecanismo Financeiro de Dinamização da Cadeia Florestal**

Under the Project K, with donations of \$ 20 thousand for the first phase, and potentially \$ 200 thousand in funding for a second phase, FUNBIO will develop the design of a financial mechanism to promote a favorable environment for territorial development based on sustainable forestry chain, taking advantage of the local potential, promoting social participation and bringing partners and strategic resources to this transformation environment.

Resources pertaining to the 1st. Phase of the project were received and the equivalent to R\$ 71 thousand were applied by FUNBIO.

The main results achieved were:

- Consolidation and unfolding of the partnership with Engie, built from the Authorized Vegetable Suppression (SVA) survey;
- Approval in the first selection phase of the Project K (innovation component of financial mechanisms);
- Development of feasibility studies (socio-economic, financial, legal, strategic) of the financial mechanism;
- Approval in the second selection phase of the Project K (innovation component of financial mechanisms);
- Definition of a pilot for the financial mechanism design base, the influence area of the Jirau hydroelectric plant, in Rondônia.

### **12.27 FUNBIO mentoring – BioGuiné (Mentoria Funbio – BioGuiné)**

Project financed by Project K in the amount of \$ 30 thousand aimed at the training of BioGuiné Foundation in the development of financial mechanisms and administrative-financial processes. FUNBIO's objective is to be BioGuiné's mentor and not the project's technical executor.

In 2016 the results already achieved are related to the Training of the BioGuiné Foundation and IBAP's staff at FUNBIO about funding sources for conservation and financial mechanisms.

Of the R\$ 100 thousand received in the Project's account, R\$ 83 thousand continue in the balance at the end of fiscal year 2016.

### **12.28 Atlantic Forest III (Mata Atlântica III)**

Project with resources in the amount of EUR 7.9 million funded by BMU (Ministry of Environment of Germany) through the German Development Bank (KfW) which aims to: contribute to the Atlantic Forest's biodiversity conservation and the ecological restoration, with emphasis on the selected protected area's its mosaics, contributing to mitigation and adaptation to climate change in this biome. There is forecast of considerations to the project amounting to EUR 6.4 million from the German Agency for International Cooperation (GIZ) and EUR 4 million of the Brazilian Ministry of Environment (MMA).

By the end of 2016 the first contribution to the project was made in the amount of R\$ 989 thousand and the following results were achieved:

- Procurement plan prepared and approved by KfW;
- Start of the Project implementation;
- Planning with partners about the actions to be carried out in 2017.

### **12.29 RedLAC Meeting – Brazil 2016 (Assembleia RedLAC – Brasil 2016)**

From November 1 through 4, 2016 the XVIII RedLAC Meeting was held in Brasília-DF, gathering approximately 40 Environmental Funds of the Latin American and Caribbean Network of Environmental Funds and African countries member of the African Fund (CAFE). FUNBIO was the host and organizer of the event that involved approximately 350 people in 5 days of Meeting and parallel events.

The initiative had the sponsorship and support of the following institutions: Banco Nacional de Desenvolvimento Social (BNDES), Tropical Forest Conservation Act – TFCA, José Roberto Marinho, Banco Alemão de Desenvolvimento (KfW), Oak Foundation – Oak Philantropy Ltd. And through Non-reimbursable Technical Cooperation signed by FUNBIO with BID - Inter-American Development Bank under Planning and Strengthening of the Transition Fund Manager for the Amazon Protected Areas Program (ARPA) for Life.

Up to the base date of this report, December 31, 2016, between donations and awards the sum of R\$ 491 thousand was raised, and an amount of R\$ 424 thousand had been applied to the event. The closing of the event's financial balance will take place in the first months of the subsequent year.

### **12.30 PSA Grid – Forest Trends**

Project funded by Forest Trends with the aim, in this stage, to develop a technical study for the mapping of Payments for Environmental Services (PSA) experiences and other economic incentives in the Brazil's oceans (including coastal and marine environments).

The results achieved in 2016 were:

- Development of the Oceans' PSA Matrix model;
- Survey of primary information and alignment of concepts and scope with Forest Trends;
- Beginning of the selection process for hiring a consultant.

This project's step, in the amount of \$20 thousand, was achieved with the resources received - R\$ 67 thousand – and was allocated in the same fiscal year 2016.

### **12.31 BIOFUND Support Project – Mozambique (Projeto Apoio ao Biofund – Moçambique)**

The project, in partnership with GITEC, aims at the BIOFUND's technical support in the flows definition and implementation, preparation and use of tools (manuals) for the financing of Mozambique's Protected Areas.

The main project goals are:

- Structuring financial models, flows and manuals and validation with partners, having as final products the Biofund Operating Manual (MOP) and its attachments.

The main results achieved in 2016 were:

- Structuring procedures and definition of flows for the Abelha Project, resulting in the preparation and approval of the first version of BIOFUND Operational Manual and its attachments (Selection Manual and Disbursement Manual);
- Support to the performance of the 1st training in BIOFUND procedures to the accountants of Mozambique protection areas.

In 2016 FUNBIO invested all the resources received - R\$ 51 thousand, in the project implementation, and invested in the initiative the amount of R\$ 55 thousand. The project is expected to be completed by mid-2017.

### **12.32.1 Cop Cancun 13**

From December 4 through 17, 2016, the Parties Conference (COP) of the Biological Diversity Conservation (CBD) was held in Cancun - Mexico. FUNBIO acted as a fundraiser for the contributions and organizer of Stand Brasil, a Brazilian representation space at the event.

The supporters who contributed to this initiative were: Embassy of the Federal Republic of Germany / GIZ, WWF-Brasil, O Boticário, Votorantin Industrial, and Conservation International do Brasil - CI.

Up to the base date of this report, December 31, 2016. between donations and awards the sum of R\$ 160 thousand was raised, and an amount of R\$ 116 thousand had been applied to the event. The closing of the event's financial balance will take place in the first months of the subsequent year.

### **12.33 Federal PAs in Acre state (UC's do Acre)**

The Technical and Financial Partnership Agreement CPT 00458-2015 has been closed with the allocation of the last resources - R\$ 10 thousand, of a total financial contribution of R\$ 25 thousand - with the delivery of the financial demand studies and proposals for the financing strategy of the state PAs in Acre state.

### **12.34 Promar**

The obligation arising from a non-moving project balance since December 6, 2000, when the first dissolution notification by FUNBIO occurred, has been written off. In response to the judicial Letter issued with request for information to FUNBIO about lawsuit No. 024.010.090.769 from the Seventh Civil Court of Vitória ES, answered on June 26, 2006, the abovementioned dissolution notification is sent and another on March 20, 2001. Fubio is not a party to the lawsuit. It has only provided information on the balance of the already closed project.

### 13. GEF Agency

The GEF Agency is a FUNBIO's area that aims to mobilize resources directly from the Global Environment Facility (GEF). GEF Funds are available to developing countries and countries with economies in transition to meet the objectives of the international environmental conventions and agreements.

FUNBIO, which already executed projects implemented by other agencies, such as: World Bank and FAO, is the first national agency accredited by GEF.

The creation of the GEF Agency in FUNBIO will enable to support interested institutions, especially the Ministries of Environment and Science, Technology, Innovation and Communication, to prepare and adapt projects to be submitted to GEF.

In 2016 FUNBIO started the execution of a "preparation grant", resources aimed at the preparation and planning of the first project approved for implementation by the GEF Agency, related to the protection of threatened species in Brazil.

In the tables below are listed the resources intended to advances for FUNBIO's use in the preparation of proposals and the institution's administrative costs, of the resources that shall be directly allocated to the approved projects.

#### Agência GEF - Funbio

Descrição	Entrada de recursos - Contribuição		Entrada de recursos - Rendimentos		Despesas financeiras		Transferências	
	31/12/2015	preparação de	Contribuição	sobre	Despesas	Funbio	31/12/2016	
GEF ESPÉCIE - (Preparation Grant)	-	88	-	-	-	(88)	-	
GEF ESPÉCIE	-	-	1.583	87	(7)	-	16	
<b>Saldo</b>	-	<b>88</b>	<b>1.583</b>	<b>87</b>	<b>(7)</b>	<b>(88)</b>	<b>1.663</b>	

#### Bank balance

Description	12/31/2016	12/31/2015
BB c/c 29149-8	-	-
BB with investment 29149-8	1,663	-
<b>Total bank balance</b>	<b>1,663</b>	<b>-</b>

#### Agência GEF

Descrição	Entrada de recursos - Contribuição		Adiantamento - Rendimentos		Variação cambial	Despesas financeiras	Custos projetos	31/12/2016
	31/12/2015	preparação de	preparação do	sobre				
GEF ESPÉCIE - (Preparation Grant)	-	866	(400)	16	98	(12)	(5)	563
GEF ESPÉCIE	-	-	-	-	-	-	-	-
<b>Saldo</b>	-	<b>866</b>	<b>(400)</b>	<b>16</b>	<b>(98)</b>	<b>(7)</b>	<b>(5)</b>	<b>563</b>



<b>Bank balance</b>		
<b>Description</b>	<b>12/31/2016</b>	<b>12/31/2015</b>
BB c/c 29150-1	1	-
BB with investment 29150-1	472	-
BB NY c/c 76250011-7	7	-
BB NY with investment 76250011-7	83	-
<b>Total bank balance</b>	<b>563</b>	<b>-</b>

By the end of 2016, FUNBIO had allocated R\$ 88 (equivalent to US \$ 27) from the “fee” foreseen for GEF-ID-9271 dated 08/03/2016 for the “preparation grant”, and received the total amount of R\$ 866 (equivalent to US \$ 300). Also in this agreement, the release of an advance in the amount of R\$ 400 to the contractor IUCN - International Union for Nature Conservation was performed.

Additionally, at the end of 2016, FUNBIO received a “fee” advance for the agreement GEF-ID-9271 dated 03/08/2016 related to the GEF Species Project, in the amount of R\$ 1.6 million (\$ 483 thousand), which will be allocated as the activities are performed.

#### **14. FUNBIO Resources Fund - FRF - Equity**

The FUNBIO Resource Fund (FRF) intends to complement the Entity's cash needs as required. The strategic direction of the Advisory Board points toward reducing the Entity's reliance on the FRF.

The search for the organization's financial sustainability continues, by increasing the number of projects and streamlining the application of the resources generated. FRF guarantees FUNBIO's activity continuity in times that require the investment of own funds.

In 2016, by definition of the Management and approval of the Finance and Audit Committee the amount of R\$1,000 was contributed to the FRF.

The FRF's assets management is managed by Pragma Gestão de Patrimônio and overseen by FUNBIO's Asset Management Committee.

	<b>2016</b>	<b>2015</b>
<b>Balance at January 1</b>	<b>17,245</b>	<b>15,033</b>
Allocation of surplus, arising from financial income (*)	2,340	1,502
Reimbursement of project advances	-	710
Allocation of surplus for the year	1,000	-
<b>Balance at December 31</b>	<b>20,585</b>	<b>17,245</b>

(\*) Allocation of surplus for the year in proportion to the financial income of FRF asset (net of provision for income tax and fund management resources), managed by "Pragma".

(\*\*) Allocation of surplus for the year, approved by the Finance and Audit Committee.

#### **15. Reimbursement of projects**

This account of the revenue group includes the project funds used in the reimbursement of expenses incurred by Funbio as the executing entity for the initiative. These are largely related to personnel, travel and administrative expenses absolutely necessary to carry out the work. Every reimbursement request is backed by the program or project budget, being accompanied by

supporting documentation of expenses, becoming a part of the rendering of accounts submitted to the donors' approval. Thus, the revenue presented herein consists of direct project costs.

<b>Project</b>	<b>2016</b>	<b>2015</b>
FMA - SEA Agreement	3,743	1,530
ARPA Phase 2 – KfW	1,102	1,512
ARPA Phase 2 – GEF	1,705	1,123
Probio / Opportunity Fund	877	1503
Votorantim Probio	18	293
Terra do Meio	-	149
GEF Cerrado	-	174
GEF Pollinators	13	224
RedLac Training	42	7
New Sources Arpa	-	76
New Sources Amapá	-	94
Paiter Suruí Fund	167	64
CFA	-	126
FIP	-	1
Resex Tapajós Arapiuns (ICCO-CEES)	-	113
FUNBIO Cities – ICAL	-	158
GEF Nutrition – BIOVERSITY	131	61
GEF Mar	1,003	1383
TFCA	92	8
Fauna Portfolio – Sirênios	-	34
Fauna Portfolio – Sirênios	38	-
Conjus Training	19	34
FUNJUS	74	-
ARPA Phase 3 – BID MSC	282	267
ARPA Phase 3 – BID SCI	1,609	1,312
ARPA Phase 3 - Transition Fund	880	986
Kayapo Fund	106	34
Project K	312	11
Moore Sustainability	725	429
Chevron - Marine and Fisheries Research	966	532
Chevron - Porpoise Conservation	108	245
Chevron - Environmental Education Project Phase 1	408	-
Chevron - Implementation Cras Phase 1	152	-
Chevron - Support Federal PAs Cost and Est RJ Phase 1	497	-
Ecofunds	-	14
ARPA for Life (Moore)	-	216
PAs Acre State WWF	-	15
TAC Caçapava	52	-
Rock in Rio – RIR	89	-
SVA Innovation	68	-
R20	38	-
PSA Matrix	67	-
Bioguiné Foundation	11	-
GEF Mangue - PNUD	178	-
Promar	21	-
<b>Total</b>	<b>15,593</b>	<b>12,728</b>

### 16. Recovery of costs

This account of the revenue group records the amounts transferred by the projects to cover indirect costs incurred by FUNBIO in carrying out its business forecast in the budget for the initiative. The funds transferred to FUNBIOI for this purpose do not constitute compensation for services rendered, but rather cooperation to be used for the common objective set out in the project budget.

Project	2016	2015
TFCA	70	691
Fauna – Ararinha Azul Portfolio	202	-
Fundo Fauna Portfolio	2	-
GEF Pollinators	-	91
Terra do Meio	-	334
CFA	-	10
Funjus - Conjus Training	-	22
<b>Total</b>	<b>274</b>	<b>1,148</b>

### 17. Services provided

This account of the revenue group includes the entries related to services provided – such as consulting – involving the issuance of a municipal tax document, and when so requested by the Entity's partners. This type does not render the Entity exempt from the OSCIP (Non-Profit Public Civil Society Organization) status.

Project	2016	2015
FVA - Vitória Amazônica Foundation	72	18
BA and ES PAs - CI Conservation International	-	105
GDF – SUEZ Energy Latin America Partic. Ltda.	40	-
<b>Total</b>	<b>112</b>	<b>123</b>

### 18. Finance income (costs), net

Project	2016	2015
<b>Finance income</b>		
Exchange gains	81	108
Investment income	2,505	1,580
<b>Total finance income</b>	<b>2,586</b>	<b>1,688</b>
<b>Finance costs</b>		
Exchange losses	(97)	(2)
Banking expenses	(24)	(11)
<b>Total finance costs</b>	<b>(121)</b>	<b>(13)</b>
<b>Finance income (costs), net</b>	<b>2,464</b>	<b>1,675</b>

### 19. Provision for tax, civil and labor risks

The Entity is a party to lawsuits and administrative proceedings before courts and governmental agencies, arising out of the normal course of business and involving labor, tax, and civil matters. Management, based on information from its legal counselors and analysis of pending legal claims, adopts as a practice to provide for only those contingencies classified as probable risk.

There were no contingencies classified as probable risk of loss as of December 31, 2015 and 2016.

At December 31, 2015 and 2016, the Entity has the following composition of lawsuits for which the likelihood of loss was assessed by its outside counsel as possible:

	12/31/2016	12/31/2015
<b>Nature of lawsuits:</b>		
Civil (*)	1,000	-
<b>Total</b>	<b>1,000</b>	<b>-</b>

(\*) The mechanism for the Biodiversity Conservation in the State of Rio de Janeiro is known as Atlantic Forest Fund (FMA/RJ), through a partnership with the State Environmental Secretariat of Rio de Janeiro (SEA-RJ). FUNBIO manages the FMA/RJ resources from environmental impact compensation by productive enterprises, whose payment is regulated by the SNUG – National System for Nature Conservation Units, and funds from other sources.

FMA / RJ is supported by the Term of Agreement No. 003/2009, entered into between the State of Rio de Janeiro, through the State Environment Secretariat (SEA), and the Brazilian Biodiversity Fund – FUNBIO, facilitated by the State Environmental Institute (INEA), aiming at the operation, maintenance and control of the mechanism.

Under the referred Agreement 003/2009, the Prosecutor's Office of the State of Rio de Janeiro initiated a Public Class Action against the State of Rio de Janeiro, INEA and FUNBIO at the 15th District of the Public Treasury of the Capital of Rio de Janeiro in which it challenged the validity of the legal mechanism of environmental compensation in relation to the Parque Estadual da Costa del Sol (PECS). The lawyers hired by FUNBIO informed a favorable decision in first Instance and unfavorable in second Instance. Thus, according to these same lawyers, the expectation of loss on this lawsuit was classified as possible in the amount of R\$ 1 million.

## 20. Prior-year adjustments

In the statement of financial position for the year ended 12/31/2016, amounts related to facts from prior years were evidenced, as a result of untimely allocation, duplicate entries exceptions for third party resources balance adjustment in liabilities, totaling a net effect of R\$ 167, as shown below:

<u>Projects</u>	
Fundo Fauna Portifolio	78
GEF Pollinators	31
Federal PA's in Acre State	10
GEF Mangue	5
Adoption of parks - MPX	(13)
Adoption of parks - OGX	(5)
ARPA Phase 3 – BID SCI	61
	<u>167</u>

## 21. Insurance coverage

The Entity adopts the policy of contracting insurance for assets subject to risks in amounts considered sufficient to cover any losses, considering the nature of its activities. In view of their nature, the risk assumptions adopted are not part of the scope of an audit of financial statements and, therefore, they were not analyzed by our independent auditors.

At December 31, 2015, the Entity presented the following main insurance policies purchased from third parties:

<u>Type</u>	<u>Insured amount</u>
Property and equipment items	2,500
Civil Liability of Directors and Officers - D&O	5,000

\* \* \* \*

*Rosamaria Lemos de Sá*

Rosa Maria Lemos de Sá  
General Secretary

*Aylton Coelho Neto*

Aylton Coelho Neto  
Planning and Management Superintendent

### Person Technically Responsible

*Daniele Soares dos Santos Seixas*  
Daniele Soares dos Santos Seixas  
Accountant CRC-RJ-095,266/0-0