



## Fundo Brasileiro para a Biodiversidade - Funbio

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

### Independent Auditor's Report And Financial Statements

At December 31, 2017

# Contents

	<b>Page</b>
Independent Auditor's Report on the financial statements	3
Financial statements	6
Notes to the financial statements	11



(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail. See Note 23 to the financial statements.)

## Independent Auditor's Report

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

### **Opinion**

We have audited the financial statements of **Fundo Brasileiro para a Biodiversidade – FUNBIO** (“Entity”), which comprise the statement of financial position as at December 31, 2017, and the statement of surplus, statement of changes in net assets and statement of cash flows for the year then ended, and explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Fundo Brasileiro para Biodiversidade – FUNBIO** as at December 31, 2017 and its operating performance and cash flows for the year then ended in accordance with accounting practices adopted in Brazil applicable to not-for-profit entities.

### **Basis for opinion**

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further 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 forth in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



### **Responsibility of Management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil applicable to not-for-profit entities, and for such internal control as Management determines is 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 preparing the financial statements, unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative to avoid doing so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our qualified 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. In addition:

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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve override of internal control, collusion, forgery, intentional omissions or misrepresentations.

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 Entity's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.



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 26, 2018

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

Ana Cristina Linhares Areosa

CT CRC RJ-081.409/O-3

Grant Thornton Auditores Independentes  
CRC 2SP-025.583/O-1 "S" - RJ

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of financial position at december 31, 2017 and 2016

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

	<u>Notes</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	4,643	2,532
Funds related to projects	8	286,665	308,432
Funds related to GEF Agency	8 e 13	9,195	2,226
Project advances - GEF Agency	13	472	400
Amounts in transit	8	756	524
Others		389	749
<b>Total current assets</b>		<u>302,120</u>	<u>314,863</u>
<b>Noncurrent assets</b>			
Funds related to projects	8	462,120	397,408
Funds related to FRF - Resources Fund - FUNBIO	8 e 14	23,826	20,585
Property and equipment	9	679	766
<b>Total noncurrent assets</b>		<u>486,625</u>	<u>418,759</u>
<b>Total assets</b>		<u><u>788,745</u></u>	<u><u>733,622</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, 2017 and 2016

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

### LIABILITIES AND EQUITY

	<u>Notes</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
<b>Current liabilities</b>			
Trade payables	10	172	363
Payroll and related taxes	11	2,007	1,999
Taxes and fees		143	148
Funds related to projects from third parties	12	286,631	308,309
Funds related to GEF Agency	13	9,667	2,626
Other payables		419	128
<b>Total current liabilities</b>		<u>299,039</u>	<u>313,573</u>
<b>Noncurrent liabilities</b>			
Funds related to projects from third parties	12	462,120	397,408
<b>Total noncurrent liabilities</b>		<u>462,120</u>	<u>397,408</u>
<b>Equity</b>			
FUNBIO Resources Fund	14	23,826	20,585
Accumulated surplus		3,760	2,056
<b>Total equity</b>		<u>27,586</u>	<u>22,641</u>
<b>Total liabilities and equity</b>		<u><u>788,745</u></u>	<u><u>733,622</u></u>

As notas explicativas são parte integrante das demonstrações contábeis.

# Fundo Brasileiro para a Biodiversidade - FUNBIO

## Statements of surplus or deficit for the years ended december 31, 2017 and 2016

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

	<u>Notes</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
<b>Operating income</b>			
GEF Agency	13	-	88
Reimbursement of projects	15	12,571	15,593
Recovery of costs	16	5,147	274
Services provided	17	-	112
<b>Total income</b>		17,718	16,067
<b>Operating expenses</b>			
Salaries and charges		(12,260)	(11,342)
Third-party services		(1,139)	(1,237)
Rental and maintenance		(708)	(674)
Travel expenses		(119)	(121)
General expenses		(745)	(713)
<b>Total expenses</b>		(14,971)	(14,087)
<b>Operating profit before finance income (costs)</b>		2,747	1,980
<b>Finance income (costs)</b>			
	18		
Finance costs		(652)	(121)
Finance income		3,258	2,586
		2,606	2,465
<b>Operating profit</b>		5,353	4,445
<b>Project income (expenses)</b>			
Rendering of accounts approved	12	97,207	81,052
Disbursement to partners	12	(18,753)	(12,463)
Resources implemented	12	(78,516)	(68,902)
Rendering of accounts in progress	12	62	313
		-	-
<b>Other operating income</b>			
Write-off of property and equipment		(10)	(11)
		(10)	(11)
<b>Surplus for the year</b>		<u>5,343</u>	<u>4,434</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, 2017 and 2016

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

	<u>Notes</u>	<u>FUNBIO Resources Fund</u>	<u>Accumulate d surplus / (deficit)</u>	<u>Surplus for the year</u>	<u>Total equity</u>
<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>		----- 20,585	----- 2,056	----- -	----- 22,641
Surplus for the year		-	-	5,343	5,343
Prior-year adjustments:	19	-	(398)	-	(398)
Allocation of surplus for the year	14	3,241	(3,241)	-	-
Transfer to accumulated surplus/(deficit)		-	5,343	(5,343)	-
<b>Balances at December 31, 2017</b>		----- <u>23,826</u>	----- <u>3,760</u>	----- <u>-</u>	----- <u>27,586</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, 2017 and 2016

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

	<u>12/31/2017</u>	<u>12/31/2016</u>
<b>Cash flows from operating activities</b>		
Surplus for the Year	5,343	4,434
<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	89	72
Depreciation and amortization for the year	(2,441)	(2,340)
	<u>2,991</u>	<u>2,166</u>
<b>Changes in assets and liabilities</b>		
Trade payables	(191)	278
Payroll and related taxes	8	289
Taxes and fees	(5)	(13)
Other payables	291	11
Other receivables	128	2,667
	<u>3,222</u>	<u>5,398</u>
<b>Net cash generated by /(used in) operating activities</b>		
<b>Cash flows from investing activities</b>		
Contribution - FRF	(800)	(1,000)
Purchase / write-off of property and equipment	(2)	(83)
	<u>(802)</u>	<u>(1,083)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Receipt of funds related to projects	104,840	177,699
Income from funds related to projects	77,020	(21,482)
Exchange rate changes on funds related to projects	6,886	(22,085)
Financial management of funds related to projects	(4,254)	(4,903)
Project-related costs	(141,458)	47,755
Increase in funds related to projects	(42,945)	(180,359)
Increase/(decrease) in equity	(398)	167
	<u>(309)</u>	<u>(3,208)</u>
<b>Net cash used in financing activities</b>		
<b>Increase (decrease) in cash and cash equivalents</b>	<u>2,111</u>	<u>1,107</u>
<b>Cash and cash equivalents</b>		
At the beginning of the year	2,532	1,425
At the end of the year	4,643	2,532
<b>Increase (decrease) in cash and cash equivalents</b>	<u>2,111</u>	<u>1,107</u>

The accompanying notes are an integral part of these financial statements

(Free translation from the original issued in Portuguese. In the event of any discrepancies, the Portuguese language version shall prevail.)

# Notes to the financial statements for the years ended December 31, 2017 and 2016

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

## **1. General information**

Fundo Brasileiro para a Biodiversidade – FUNBIO (“Entity”), whose headquarters are located at Rua Voluntários da Pátria, 286 – 5º andar, Botafogo, city of Rio de Janeiro, State of Rio de Janeiro, is a private, non-profit civil association, in operation since 1996.

Funbio is an innovative mechanism created to develop strategies that help support the implementation of the Convention on Biological Diversity (CBD) in Brazil. Over its 21 years, FUNBIO has served as a strategic partner of the private sector, different federal and state government bodies and civil society.

These partnerships help ensure the feasibility of the companies’ environmental and social investments and the reduction and mitigation of their impacts as well as compliance with their legal obligations. At the government level, they are intended to consolidate conservation policies and make environmental financing programs feasible.

In just 21 years, FUNBIO managed US\$600 million, supported 282 projects in 7 biomes, 233 institutions and 311 protected areas totaling 67 million hectares (around three times the size of the State of São Paulo) and already empowered more than 1,300 partners. The source of the funds leveraged by FUNBIO, with a track record of approximately 70 donors, comes from international cooperation agreements, legal obligations and private national and international donations.

FUNBIO is the one and only agency in charge of implementing the Global Environment Facility (GEF) Trust Fund, one of the world’s most important financing instruments for environmental projects which accredited FUNBIO for its implementation capacity.

Funds managed by FUNBIO in 2017 grew 20%, reaching a record R\$97 million (2016 – R\$81 million). These funds are used to execute the projects under its responsibility, and those used by the Entity to fulfill the purposes under its bylaws are segregated and may be identified in this report.

As at December 31, 2017, assets managed by FUNBIO amounts to R\$788 million (2016 – R\$734 million), out of which approximately 56% are linked to long-term actions and projects organized in the form of funds.

FUNBIO's governance is led by the Advisory Board (AB), which is composed of 16 members from academic institutions, environmental agencies, civil society, companies, and government and is responsible for defining the organization's strategy and overall direction. The Advisory Board holds three times a year to evaluate the strategic directions and institutional management: The Board 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 Techniques, and Finance & Audit and an Asset Management Committees.

Since 2013, FUNBIO adopts the following environmental and social protection policies, which establish the principles of our work: Indigenous Population, Assessment of Environmental and Social Impact, Protection of Habitats, Physical Cultural Resources, Involuntary Resettlement, Pest Management and Complaints, Control and Responsibility System.

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

FUNBIO is guided by core values such as: effectiveness, ethics, intellectual independence, innovation, responsiveness and transparency, and this report is part of the Entity's effort in this regard.

## **2. Basis of preparation**

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

The Entity's financial statements for the year ended December 31, 2017 were prepared in accordance with the accounting practices adopted in Brazil, applicable to not-for-profit entities, considering General Technical Interpretation (ITG) 2002, approved by CFC Resolution No. 1409/2012, as well as the pronouncements issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC).

The issuance of the financial statements was authorized by the Executive Board on April 26, 2018.

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

The financial statements were prepared at historical cost, except short-term investments stated at fair value through profit or loss.

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

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

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

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires that the Entity's Management uses judgment in determining and recording accounting estimates. Assets and liabilities subject to estimates and assumptions include the economic useful life and the residual value of fixed assets and provision for risks. The settlement of the transactions involving these estimates may result in amounts that are different from the estimated ones due to inaccuracies inherent in the estimation process. The Entity revises estimates and assumptions at least annually.

## **6. Significant accounting policies**

### **6.1 Foreign currency translation**

Foreign currency-denominated transactions are translated into the functional currency using the exchange rates effective on the transaction dates. Exchange gains and losses resulting from settlement of these transactions and translation of monetary assets and liabilities denominated in foreign currency at the exchange rates at yearend are recognized in the statement of operations.

### **6.2 Cash and cash equivalents, funds linked to projects, FRF and short-term investments**

Include cash, bank deposits and other highly liquid short-term investments, with original maturities of up to three months subject to an insignificant risk of change in value; for the purposes of the statement of cash flows, cash and cash equivalents include balances in secured accounts, when used.

The investments of the funds managed by Funbio, through Asset Manager, Pragma Gestão de Patrimônio Ltda., are diversified, mature in the short and long terms, from 1 year to 8 years, with liquidity ranging from D+1 to D+ 180 days. The funds invested in Government Bonds - NTN-Bs, local and international floating income, Hedge Fund, Fixed income Low Vol and fixed/inflation. Short-term investments are made based on the investment policies of each fund and guidelines from Funbio's Asset Manager Committee.

### **6.3 Property, plant and equipment**

Property, plant and equipment items are measured at the historical cost, less accumulated depreciation and, where applicable, accumulated impairment losses. The historical cost also includes expenditures directly attributable to the acquisition of items, including borrowing costs relating to the acquisition of qualifying assets.

Subsequent costs are included in the carrying amount of the asset or recognized separately, as applicable, only when it is probable that future economic benefits will arise from the asset and that the cost of the asset can be measured reliably. The carrying amount of replaced items or parts is written off. All other maintenance and repair costs are recorded as a balancing item to profit or loss for the period, when incurred.

The depreciation of property, plant and equipment is recorded during the useful life over the following period:

The residual values and the estimated useful lives of the assets are revised and adjusted, if necessary, at the end of each reporting period.

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

The useful life is based on Management's estimates for the period over which the assets will generate revenue, which are periodically revised to ensure continuous adequacy. Revisions to estimates may result in significant changes in the carrying amount and the amounts are recognized in surplus/deficit for the year based on the new estimates.

#### **6.4 Impairment of assets**

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

#### **6.5 Trade payables**

Trade payables are amounts payable for assets or services acquired from suppliers in the normal course of business and project management, classified as current liabilities if payment is due within one year (or in the regular course of businesses, even if longer). Otherwise, trade payables are recorded as noncurrent liabilities. They are initially recognized at fair value and, subsequently, measured at their amortized cost under the effective interest method. In practice, they are usually recognized at the related invoice amount.

#### **6.6 Provisions**

Provisions are recognized when the Entity has a legal or constructive obligation as a result of past events, and it is probable that making a cash disbursement will be necessary to settle the obligation, and its value can be reliably estimated. The Entity is a party to labor, tax and civil lawsuits at administrative and judicial levels, which, when applicable, are supported by judicial deposits. The provisions for potential losses on these lawsuits are estimated and adjusted by Management, based on the opinion of its outside legal counsel.

#### **6.7 Funds linked to projects**

The deposits made to FUNBIO's accounts intended for use in projects and supported by agreements are recognized as Entity's obligations in relation to the donors and/or its partners. As projects are executed, these obligations are recognized as a contra entry to "Rendering of accounts approved" in surplus/deficit.

## **6.8 Realizable or settlement values**

The other assets and liabilities are stated at their realizable values and settlement amounts, respectively, and include inflation adjustments or exchange rate changes, and income earned and charges incurred, when applicable, recognized on a pro rata basis through the balance sheet date. Where applicable, provisions to write down the assets to fair or realizable values are recognized. Receivables realizable and payables due within 12 months as of the balance sheet date are classified in current assets and current 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 execution of projects according to the purpose stated in its bylaws. These revenues are included in the project budgets 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 are not considered unrestricted funds for the Entity. This revenue is recognized when project accounts are rendered.

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**

Finance income is recognized using the effective interest method.

## **6.10 Recognition of project expenses**

Expenses incurred on projects are recognized in the statement of surplus or deficit in line items "disbursement to partners", "funds executed" and "rendering of accounts in progress" as they are incurred.

## **6.11 Taxes payable**

### **6.11.1 Income tax and social contribution**

Requirements set forth in Law No. 9790/99:

As a non-profit entity, FUNBIO is exempt from payment of income tax and social contribution, as provided for in Article 15 of Law No. 9532/97, provided that the requirements set forth in items “a” to “h” of Paragraph 2 of Article 12 of said Law are met, namely:

Do not pay any compensation to its officers for the services provided, unless in the case of non-profit associations, foundations or public interest organizations whose officers may be compensated, provided that they play an active executive management role and the requirements set out in articles 3 and 16 of Law No. 9790, of March 23, 1999, are met, and provided that the compensation amount does not exceed the maximum amounts paid by the market in the region corresponding to their area of expertise, which will be set by the Entity’s senior management, recorded in meetings’ minutes, and communicated to the Federal Prosecution Office, in the case of foundations. Use all the Entity’s funds in the maintenance and development of the purposes in its bylaws;

- Bookkeep all its income and expenses in proper books that ensure their accuracy; properly keep, over a period of five years, counted from the issuance date, documents that prove the source of the Entity’s income and support expenses incurred as well as the performance of any other actions or operations that may change its financial position;
- Annually submit its Statement of Income (“tax return”), according to the provisions established by the Federal Revenue Service;
- Pay the taxes withheld on earnings paid or credited by its and the social security contribution relating to employees, and performs the accessory obligations arising therefrom;
- Ensure that its net assets are allocated to another institution that satisfies the conditions for enjoying immunity, in case of consolidation, merger, spin-off or discontinuance of activities, or to a governmental body;
- Other requirements set forth in a specific law, relating to the operation of the entities referred to in this article.

### **6.11.2 Contribution to the Social Integration Program – PIS and Social Security Financing Contribution – COFINS**

According to Article 13 of Provisional Act (MP) No. 2158-35/2001, non-profit entities that hire employees, as defined by the Labor Law, are required to pay PIS contribution at a fixed rate of 1% on monthly payroll. These entities are exempt from paying PIS on revenues, under Paragraph 1 of Article 14 of MP No. 2158-35/01, provided that these meet the requirements of Article 12 of Law No. 9532/97.

Regarding COFINS, item X of Article 14 of MP 2158-35 2001 establishes that non-profit institutions are exempt from paying COFINS on income. Also in this case, enjoying the exemption is contingent upon the fulfillment of the requirements of Article 12 of Law No. 9532/97.



The Entity has complied with the requirements of Law No. 9532/97 in order to enjoy the aforementioned exemptions.

### **6.12 Statement of comprehensive income**

The statements of comprehensive income are not presented since there are no comprehensive amounts to be presented, i.e., the surplus for the year is equivalent to the total comprehensive income.

## **7. Financial risk management**

The Entity is exposed to the following risks arising from the use of financial instruments: Credit risk and liquidity risk.

The information below summarizes the Entity's exposure to each one of the risks below, the Entity's objectives, the policies and processes for measurement and management of risks and capital management. Additional quantitative disclosures are included throughout these financial statements.

### **Market risk**

Market risk is the risk that changes in market prices, such as interest on the Entity's short-term investments, will impact the Entity's income or its share in financial instruments.

For short-term investments (CDB and fixed income funds held in Banco do Brasil), the Entity manages market risks through investments in low market risk funds with low financial leverage, always operating with prime financial institutions. In this regard, the currency risk is the main market risk arising from projects, which are financed by foreign entities.

For investments in funds managed by Funbio, through Pragma Patrimônio (Funbio Asset Manager), the market risk considers the investment policies of each fund and invests in different assets to minimize volatility and obtain the expected returns in each investment policy. The classes of assets will be subject to the fair value; the objective of a medium and long-term portfolio comprised of different assets is to mitigate the market risk. For funds whose investment policies maintain a percentage invested abroad, the main risk is the currency risk.

### **Currency risk**

This risk arises from the possibility that the Entity will incur losses due to fluctuations in exchange rates that reduce the nominal amounts invoiced or increase funds raised in the market.

Projects are performed and budgeted in reais and any unallocated balances present in project accounts are adjusted at the prevailing exchange rate. Periodically, unallocated portions are reconciled to the goals set for the project. In case of significant changes, the project planning is revised.

### Liquidity risks

It is the risk that the Entity may not have sufficient funds to discharge its financial commitments as a result of mismatching of terms or volumes between expected amounts received and payable.

To manage cash liquidity, future disbursements and cash inflows assumptions are established and daily monitored by the treasury area. This control is performed to manage the Entity's accounts and each one of its projects.

### 8. Cash and cash equivalents, FRF and funds linked to projects and GEF Agency

Description	12/31/2017	12/31/2016
Cash and cash equivalents	4,643	2,532
Current funds linked to projects – FRF	23,826	20,585
Amounts in transit	423	407
<b>Total own funds</b>	<b>28,892</b>	<b>23,524</b>
Current funds linked to projects – GEF Agency	9,195	2,226
Current funds linked to projects	286,665	308,432
Noncurrent funds linked to projects	462,120	397,408
Amounts in transit	333	117
<b>Total funds linked to projects</b>	<b>758,313</b>	<b>708,183</b>
<b>Total funds</b>	<b>787,205</b>	<b>731,707</b>

Description	12/31/2017	12/31/2016
<b>Own funds</b>		
Cash	428	407
Domestic banks	-	13
Banks abroad (a)	7	7
Short-term investments - domestic (b)	28,450	23,017
Short-term investments abroad (c):	7	79
<b>Total own funds</b>	<b>28,892</b>	<b>23,524</b>
<b>Funds linked to projects</b>		
Cash	328	117
Domestic banks	1,587	1,940
Banks abroad (a)	6,059	29,440
Short-term investments - domestic (b)	439,941	467,410
Short-term investments abroad (c):	310,398	209,277
<b>Total funds linked to projects</b>	<b>758,313</b>	<b>708,183</b>
<b>Total cash and cash equivalents</b>	<b>787,205</b>	<b>731,707</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 Certificates of Deposit) acquired at rates ranging from 96% to 101% of the CDI (Interbank Certificate of Deposit) rate, are recorded at the invested amount, plus income earned through the balance sheet date, where the fair value does not exceed the market value.

The funds linked 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. These investments are comprised of CDBs and repurchase agreements (Bradesco) yielding the CDI rate and other investments in investment funds, held in prime financial institutions.

Such investments are recorded at the invested amount, plus income earned through the balance sheet date, where the fair value does not exceed the market value.

The investments of the funds managed by FUNBIO, through Pragma Patrimônio, are diversified, mature in the short and long terms, from 1 year to 8 years, with liquidity ranging from D+1 to D+ 180 days. The funds invested in Government Bonds -NTN-Bs, local and international floating income, Hedge Fund, Fixed income Low Vol and fixed/inflation.

**(a) Breakdown of checking account balances/short-term investments abroad at December 31:**

<b>Description</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Itáú MIAMI – FT <sup>(1)</sup>	551	26,922
Banco do Brasil NY FUNBIO <sup>(2)</sup>	7	7
Banco do Brasil Frankfurt – FFEM <sup>(4)</sup>	993	34
Banco do Brasil Frankfurt – ARPA KfW <sup>(3)</sup>	3,344	2,435
Banco do Brasil NY - Empowerment RedLac <sup>(2)</sup>	7	7
Banco do Brasil NY – GEF Agency <sup>(2)</sup>	1	7
Itáú MIAMI – FTKFW <sup>(1)</sup>	16	16
Itáú MIAMI – Fundo Amapá <sup>(1)</sup>	90	19
Banco do Brasil Frankfurt – Mata Atlântica III <sup>(5)</sup>	1,057	-
<b>Total cash and cash equivalents abroad</b>	<b>6,066</b>	<b>29,447</b>

- (1) Investments in Itaú Miami are the Transition Fund (98%), Fundo Amapá and Fundo Ba&ES, comprised of floating and fixed income investments and floating and fixed income funds.
- (2) Financial investments held in BB New York are short term and invested in On Shore Investment (Overnight) and in Yankee Certificate Deposit.
- (3) On 12/31/2017, we received in the account in Frankfurt 3593315888 the 18<sup>th</sup> disbursement relating to the financial contribution agreement from KfW, dated March 28, 2012, BMZ No. 2006 66 214, in the amount of EUR 1,686 (1EUR = R\$3.9201) corresponding to R\$6,608. On 12/22/2017, only EUR 843 (1EUR = R\$3.9341), corresponding to R\$3,316, was allocated. The amount of EUR 843 (1EUR = 3.9672, at 12/29/2017), corresponding to R\$3,344, remained in the account.
- (4) Funds held in checking account intended for future payments abroad.
- (5) On 12/15/2017 we received in the account in Frankfurt 3593315888 the 2<sup>nd</sup> disbursement relating to Mata Atlântica III Agreement, dated July 22, 2015, in the amount of EUR266,341.76 (1EUR = R\$3.9071).

**(b) Short-term investments in Brazil as at December 31 are as follows:**

Description	12/31/2017	12/31/2016
<b>FMA Agreement funds</b>		
Investments in Bank Certificates of Deposit – CDB	1,054	1,628
Fixed income investment – Bradesco	198,809	248,188
<b>Total FMA Agreement funds (b,1)</b>	<b>199,863</b>	<b>249,816</b>
<b>Other projects and own funds</b>		
Investments in Bank Certificates of Deposit – CDB	77,285	44,656
Fixed income investments	6,501	9,653
Asset manager	175,054	183,642
Other investments	9,688	2,660
<b>Total assets under management (b,2)</b>	<b>268,528</b>	<b>240,611</b>
<b>Total financial investments</b>	<b>468,391</b>	<b>490,427</b>

**(b.1) Project Fundo Mata Atlântica – FMA Agreement****Investments in Bank Certificates of Deposit – CDB**

Description	12/31/2017	12/31/2016
Banco do Brasil CDB - FMA CV	1,054	1,628
<b>Total investments in Bank Certificates of Deposit – CDB</b>	<b>1,054</b>	<b>1,628</b>

**Investments – Bradesco**

Description	12/31/2017	12/31/2016
Bradesco - FMA Agreement - Instr. III - A - Finan, Trust	30,841	28,567
Bradesco - FMA Agreement - Instr. I-A Environmental Compensation	125,230	180,763
Bradesco - FMA Agreement - Instr. V - TAC (conduct adjustment commitment)	13,370	15,707
Bradesco - FMA Agreement - Instr. VI - OP, Other Sources	15,418	14,232
Bradesco - FMA Agreement - Instr. I-C Res, Land Regulation	8,636	7,992
Bradesco - FMA Agreement - Instr. IV - OP, Forest Rest	2,324	927
Bradesco - FMA Agreement - Instr. I-B CA Federal	2,990	-
<b>Total investments</b>	<b>198,809</b>	<b>248,188</b>
<b>Total investments - FMA Instruments (b,1)</b>	<b>199,863</b>	<b>249,816</b>

The financial investments made by Banco Bradesco S/A, as FMA's financial manager under Cooperation Agreement No. 004/2016, are repurchase agreements backed by debentures issued by Bradesco Leasing S/A – Arrendamento Mercantil yielding 100% of the CDI and have as underwriters Banco Bradesco S/A or Banco Bradesco BBI S/A. The liquidity of the repurchase agreements does not have a grace period, making it possible to Funbio to make its daily payment operations, in its operating manager activity. Cooperation Agreement No. 04/2016, clause 3, About the intermediation, paragraph 2, establishes that “the Operating Manager (Funbio) is hold harmless from any liability for the financial operation of the funds, its short-term investments and yield”.

**(b.2) Other projects****Investments in Bank Certificates of Deposit – CDB**

<b>Description</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Itaú CDB - Fauna (Fauna Portfolio)	64	5
Banco do Brasil CDB - Administrative	4,235	2,112
Banco do Brasil CDB - Adoption of Parks (OGX FN)	107	164
Banco do Brasil CDB - AFCOF III	436	961
Banco do Brasil CDB - ARPA IDB	2,303	1,068
Banco do Brasil CDB - ARPA IDB MSC	286	752
Banco do Brasil CDB - PAITER SURUI CARBON	-	654
Banco do Brasil CDB - Fauna Portfolio (Ararinha Azul)	134	637
Banco do Brasil CDB - Fauna Portfolio (Sirênios)	26	116
Banco do Brasil CDB - Chevron – Fishery and Marine Research	16,284	13,126
Banco do Brasil CDB - Chevron - Toninha Conservation	8,876	5,873
Banco do Brasil CDB - GEF MAR	1,928	735
Banco do Brasil CDB - GEF Nutrition	574	1,039
Banco do Brasil CDB - Kayapo	248	173
Banco do Brasil CDB - KfW ARPA 2 <sup>nd</sup> Phase	3,358	1,235
Banco do Brasil CDB - Moore Sustainability	-	499
Banco do Brasil CDB - New Sources - ARPA	-	116
Banco do Brasil CDB - Project K	266	133
Banco do Brasil CDB - RVS Rio da Prata	497	462
Banco do Brasil CDB - TFCA	73	403
Banco do Brasil CDB - TAC Caçapava	34	286
Banco do Brasil CDB - Chevron Cons CUs RJ	10,968	7,162
Banco do Brasil CDB - Chevron Cras RJ	2,697	1,186
Banco do Brasil CDB - Chevron Environmental Educ	8,050	3,200
Banco do Brasil CDB - Redlac Assembly	-	115
Banco do Brasil CDB - R20	-	6
Banco do Brasil CDB - Moçambique	6	1
Banco do Brasil CDB - Rock in Rio	504	174
Banco do Brasil CDB - Special Projects	-	83
Banco do Brasil CDB - COP Cancun 13	-	44
Banco do Brasil CDB - GEF Agency FUNBIO	4,162	1,663
Banco do Brasil CDB - GEF Agency Project	175	473
Banco do Brasil CDB - Probrio MMA Balance	548	-
Banco do Brasil CDB - Chevron - Fed CUs Phase II	5,988	-
Banco do Brasil CDB - Chevron - Environmental Educ Phase II	2,975	-
Banco do Brasil CDB - CAF Amazon	1,478	-
Banco do Brasil CDB - SVA Innovation 2 <sup>nd</sup> Phase	2	-
<b>Total investments in Bank Certificates of Deposit - CDB</b>	<b>77,285</b>	<b>44,656</b>

**Fixed income investments**

<b>Description</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Banco do Brasil RF LP - PROBIO Opportunity Fund	5,660	7,639
Banco do Brasil RF LP - TFCA	841	2,014
<b>Total fixed income investments</b>	<b>6,501</b>	<b>9,653</b>

**Asset manager<sup>(1)</sup>**

<b>Description</b>	<b>12/31/2017</b>	<b>12/31/2016</b>
Itaú Pragma BANYAN - Fundo Kayapó	469	440
Itaú Pragma LIBER MM - Fundo Kayapó	3,995	3,824
Itaú Pragma LYNX MM - Fundo Kayapó	4,379	4,039
Itaú Pragma HONOR - Fundo Kayapó	1,225	1,224
Itaú Pragma LYNX II - Fundo Kayapó	39	35
Itaú Private EFFICAX - Fundo Kayapó	8,396	9,083
Itaú Pragma LIBER - FUNBIO Resources Fund - FRF	7,796	6,195
Itaú Pragma BANYAN - FUNBIO Resources Fund - FRF	306	287
Itaú Pragma LYNX II - FUNBIO Resources Fund - FRF	16	14
Itaú Pragma HONOR - FUNBIO Resources Fund - FRF	2,987	1,069
Itaú Pragma ARES - FUNBIO Resources Fund - FRF	465	237
Itaú Pragma LYNX MM - FUNBIO Resources Fund - FRF	2,856	2,634
Itaú Private EFFICAX - FRF	3,703	6,118
J.P Morgan - FRF	2,077	826
Credit Suisse - FUNBIO Resources Fund - FRF	3,620	3,204
Itaú Pragma BANYAN - Transition Fund - FT	132	123
Itaú Pragma LYNX II - Transition Fund - FT	7	6
Itaú Pragma SUMAUMA - Transition Fund - FT	76,434	68,690
Itaú Pragma ARES - Transition Fund - FT <sup>(2)</sup>	627	-
Itaú Private EFFICAX - Transition Fund - FT	3,014	1,723
Itaú Pragma ARES - Transition Fund - FT KFW	179	159
Itaú Pragma BANYAN - Transition Fund - FT KFW	940	881
Itaú Pragma HONOR - Transition Fund - FT KFW	8,962	9,041
Itaú Pragma LIBER - Transition Fund - FT KFW	4,875	15,511
Itaú Pragma LYNX MM - Transition Fund - FT KFW	8,773	8,092
Itaú Private EFFICAX - FT KFW	7,759	19,614
Credit Suisse - Transition Fund - FT KFW	13,119	12,893
Itaú Pragma - Fundo Bahia and ES	-	3,415
Itaú Pragma LIBER - Fundo Bahia and ES	1,220	-
Itaú Pragma HONOR - Fundo Bahia and ES	718	-
Itaú EFFICAX - Fundo BA & ES	779	-
J.P Morgan - Fundo BA & ES	369	-
Itaú Pragma LIBER - Fundo Amapá	1,561	1,407
Itaú Pragma ARES - Fundo Amapá	827	736
Itaú Pragma HONOR - Fundo Amapá	896	617
Itaú Private EFFICAX - Fundo Amapá	1,016	1,291
J.P Morgan - Fundo Amapá	518	214
<b>Total asset manager</b>	<b>175,054</b>	<b>183,642</b>

(1) The types of investments made by the funds are the following:

- **Fundo Kayapó:**

Local Portfolio: Fixed Income Low Vol	71%
Fixed Income	23%
Floating Income	6%
- **FRF:**

Local Portfolio: Fixed Income Low Vol	29%
Fixed Income	32%
Hedge Fund	17%
Floating Income	13%
Floating Income Off	9%

- **FT:**  
Local Portfolio: Fixed Income Low Vol 31%  
Fixed Income 47%  
Hedge Fund 10%  
Floating Income 7%  
Floating Income Off 5%
- **AFPA Fundo Ba&ES:**  
Local Portfolio: Fixed Income Low Vol 21%  
Fixed Income 32%  
Hedge Fund 17%  
Floating Income 20%  
Floating Income Off 10%
- **Fundo AMAPÁ:**  
Local Portfolio: Fixed Income Low Vol 21%  
Fixed Income 32%  
Hedge Fund 17%  
Floating Income 19%  
Floating Income Off 11%

(2) This amount of R\$627 thousand invested in Itaú Pragma ARES – Transition Fund refers to funds in Fundo Bahia and Espírito Santo.

#### Other investments

Description	12/31/2017	12/31/2016
Banco do Brasil - Operating Transition Fund (FT)	3,743	545
Banco do Brasil - GEF BM Arpa II	160	1,242
Banco do Brasil - Resex Mapua	-	9
Itaú- Fauna (Fauna Portfolio)	126	117
Itaú – Administrative	71	26
Itaú - Fauna (Fauna Portfolio)	1	39
Itaú Compromissada DI - Administrative	318	295
Itaú Compromissada DI - Fauna (Fauna Portfolio)	411	387
Banco do Brasil - Giant Prospec,- RF	4,858	-
<b>Total other investments</b>	<b>9,688</b>	<b>2,660</b>
<b>Total investments – From other projects – (b,2)</b>	<b>268,528</b>	<b>240,611</b>
<b>Total investments – (b,1 + b,2)</b>	<b>468,391</b>	<b>490,427</b>

#### (c) Breakdown of short-term investments abroad as at December 31:

Description	12/31/2017	12/31/2016
Itaú Miami - Fundo Amapá <sup>(1)</sup>	4,669	4,104
Banco do Brasil NY - Moore Redlac Empowerment	162	1,861
Banco do Brasil NY - GEF Agency	-	82
Banco do Brasil NY - Aplic. ALLO	7	79
Banco do Brasil NY - Fundo Bahia and ES	-	3,424
Itaú Miami - Transition fund <sup>(1)</sup>	295,718	193,605
Itaú Miami - KFW Transition Fund <sup>(1)</sup>	6,323	6,201
Itaú Miami - Fundo BA and ES <sup>(1)</sup>	3,526	-
<b>Total short-term investments abroad</b>	<b>310,405</b>	<b>209,356</b>
<b>Total - (a + b,1 + b,2 + c)</b>	<b>784,862</b>	<b>729,230</b>

(1) The types of investments made by the funds are the following:

- **Fundo AMAPÁ**  
 Portfolio Off: Fixed Income Low Vol 18%  
                   Fixed Income 22%  
                   Floating Income 60%
- **FT – Transition Fund:**  
 Portfolio Off: Fixed Income Low Vol 18%  
                   Fixed Income 23%  
                   Floating Income 59%
- **AFPA Fundo Ba&ES**  
 Portfolio Off: Fixed Income 100%

## 9. Property, plant and equipment

### a) Breakdown

Description	Annual depreciation rate	Cost	12/31/2017		Property, plant and equipment, net at 12/31/2016
			Accumulated depreciation	Property, plant and equipment, net	
Furniture and fixtures	10%	321	(272)	49	61
Machinery and equipment	10%	248	(138)	110	117
IT equipment	20%	1,022	(656)	366	425
Leasehold improvements	4% a 33%	663	(509)	154	163
<b>Total</b>		<b>2,254</b>	<b>(1,575)</b>	<b>679</b>	<b>766</b>

### b) Changes

Description	Furniture and fixtures	Machinery and equipment	IT equipment	Leasehold improvements	Total,
<b>Balance at December 31, 2015</b>	<b>30</b>	<b>125</b>	<b>465</b>	<b>135</b>	<b>755</b>
Acquisitions	43	16	114	36	209
Write-offs	(3)	(42)	(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>
Acquisitions	-	12	97	-	109
Write-offs	(12)	(15)	(80)	-	(107)
Depreciation	-	(4)	(76)	(9)	(89)
<b>Balance at December 31, 2017</b>	<b>49</b>	<b>110</b>	<b>366</b>	<b>154</b>	<b>679</b>

### Impairment of assets

During the year ended December 31, 2017, the Entity's Management did not find any indicators that the carrying amount of certain assets could be higher than their recoverable value.



## 10. Trade payables

Description	12/31/2017	12/31/2016
Grant Thornton Auditores Independentes	158	-
KONIK Indústria e Comércio de Móveis Ltda	-	9
RPC Importação e Comércio de Maq. e Equip.	-	222
RN Comércio Varejista S.A	-	6
Alegra Indústria e Comércio LTDA	-	38
Ferrari & Cia Ltda	-	72
A.F. Comércio e Serviços Técnicos Ltda	14	13
One Way Solution Ltda.	-	3
<b>Total</b>	<b>172</b>	<b>363</b>

## 11. Payroll and related taxes

Description	12/31/2017	12/31/2016
Accrued vacation and related taxes	1,060	1,070
Salaries	425	404
Withholding Income Tax (IRRF)	260	250
Social security contribution (INSS)	169	191
Severance pay fund (FGTS)	70	68
PIS (Social Integration Program)	9	8
Other	14	8
<b>Total</b>	<b>2,007</b>	<b>1,999</b>

## 12. Third parties' funds linked to projects

### Changes in project balances - 2017

	12/31/2016	Funds received	Income from short-term investments	Finance income	Exchange rate changes	Used funds accounted for	Accountability in progress	Transfers (Funbio income) <sup>(7)</sup>	Transfer to IDG <sup>(1)</sup>	Disbursements/ Internal transfer	Accountability in progress/ Other transfers	12/31/2017
ARPA 2nd Phase - GEF BM	1,360	10,895	119	(5)	-	(10,761)	-	(1,314)	-	-	(134)	160
ARPA 2nd Phase - KfW	4,534	11,748	176	(82)	789	(9,381)	(30)	(884)	-	-	(277)	6,593
ARPA FT - Operating	760	-	224	(105)	-	(23,210)	(8)	(2,060)	-	29,700	97	5,398
ARPA FT - IDB MSC	694	634	25	(4)	-	(779)	-	(362)	-	-	74	282
ARPA FT - IDB SCI	842	4,505	65	(20)	-	(1,338)	(5)	(2,060)	-	-	312	2,301
FMA Agreement - Instr. I-A Environmental Comp. (Brad. 3000-7) <sup>(1)</sup>	180,550	4,451	12,513	(2)	-	(18,767)	-	(1,853)	(51,661)	-	-	125,231
FMA Agreement - Instr. I-B CA Federal (Brad. 3001-5)	-	2,843	153	-	-	-	-	(5)	-	-	-	2,991
FMA Agreement - Instr. I-C Res. Land Regularization (Brad. 3002-3)	7,992	-	666	-	-	(22)	-	-	-	-	-	8,636
FMA Agreement - Instr. II - OP. Donations (Brad. 3003-1)	-	-	-	-	-	-	-	-	-	-	-	-
FMA Agreement - Instr. III -A - Finan. Trust (Brad. 3005-8)	28,567	-	2,275	-	-	-	-	-	-	-	-	30,842
FMA Agreement - Instr. III-B - Finan. Fid. CV (BB 25.738-9) <sup>(2)</sup>	1,628	-	113	(7)	-	(544)	-	-	-	-	(136)	1,054
FMA Agreement - Instr. IV - OP. Forest Rest. (Brad. 3008-2)	928	1,271	140	-	-	-	-	(15)	-	-	-	2,324
FMA Agreement - Instr. V - TAC (Brad. 3009-0) <sup>(3)</sup>	16,794	-	1,245	-	-	(3,231)	-	(350)	-	(1,088)	-	13,370
FMA Agreement - Instr. VI - OP. Other Sources (Brad. 3010-4)	14,232	-	1,208	-	-	-	-	(20)	-	-	-	15,420
TFCA	2,411	-	129	-	-	(1,509)	-	(156)	-	-	33	908
Kayapó	173	-	23	-	-	(1,749)	-	(114)	-	1,913	3	249
Adoption of Parks	633	-	45	(2)	-	(72)	-	-	-	-	-	604
Probio - Opportunity Fund	7,639	-	520	-	-	(1,924)	-	(539)	-	-	-	5,696
Fauna Portfolio - Ararinha Azul	636	-	33	(1)	-	(533)	-	-	-	-	-	135
Fauna Portfolio - Sirênios	119	-	5	-	-	(98)	-	-	-	-	-	26
Fauna Portfolio Fund	550	7	53	(7)	-	-	-	(1)	-	-	-	602
New Sources ARPA <sup>(4)</sup>	115	-	8	-	-	-	-	(28)	-	(95)	-	-
GEF Nutrition	1,043	740	79	(6)	-	(1,173)	(3)	(106)	-	-	-	574
Carbono Paiter Suruí Fund	654	-	6	-	-	-	-	-	-	-	(660)	-
GEF Mar	747	9,191	93	(16)	-	(7,369)	(16)	(674)	-	-	(41)	1,915
<b>Subtotal</b>	<b>273,601</b>	<b>46,285</b>	<b>19,916</b>	<b>(257)</b>	<b>789</b>	<b>(82,460)</b>	<b>(62)</b>	<b>(10,541)</b>	<b>(51,661)</b>	<b>30,430</b>	<b>(729)</b>	<b>225,312</b>

(1) According to the 2<sup>nd</sup> Addendum to Agreement No. 004/2016, which included the transfer of funds under Funbio's operating management to other operating managers selected by the State Environmental Secretariat (SEA), and according to Official Letters SEA/SAP 225 and 229, both dated 06/05/2017, Funbio transferred, on June 07 and 13, 2017, the amount of R\$51,661 to operating manager Instituto de Desenvolvimento e Gestão (IDG).

(2) In 2017, amounts added totaled R\$732, of which R\$544 was accounted for; R\$52 was returned, and R\$136 is to be accounted for.

(3) On 01/03/2017, there was an offset of accounts with Toninha Conservation Project in Management Area I, incorrectly deposited to the account on 12/19/2016, in the amount of R\$1,088. This amount refers to the inflation adjustment to the 2<sup>nd</sup> Tranche under the TAC Execution Agreement No. CW 1399279.

(4) On 09/28/2017, funds were transferred from project Novas Fontes Amazônia to project CAF Amazônia in the amount of R\$95.

	12/31/2016	Funds received	Income from short-term investments	Finance income	Exchange rate changes	Used funds accounted for	Accountability in progress	Transfers (Funbio income) (7)	Transfer to IDG (1)	Disbursements/ Internal transfer	Accountability in progress/ Other transfers	12/31/2017	Note
<b>Subtotal</b>	273,601	46,285	19,916	(257)	789	(82,460)	(62)	(10,541)	(51,661)	30,430	(729)	225,312	-
Project K (5)	2,023	2,716	20	(17)	95	(2,533)	-	(229)	-	(314)	(333)	1,428	12.12
Moore Sustainability (6)	499	-	21	-	-	-	-	(251)	-	(269)	-	-	12.13
Chevron - Marine and Fishing Research	13,127	11,301	727	-	-	(7,368)	-	(1,503)	-	-	-	16,284	12.14
Chevron - Porpoise Conservation (3)	5,874	5,027	441	-	-	(2,498)	-	(1,056)	-	1,088	-	8,876	12.14
Chevron - Environmental Education	3,200	5,013	316	-	-	(4)	-	(474)	-	-	-	8,051	12.14
Chevron - Environmental Education - Phase II	-	3,262	21	-	-	-	-	(307)	-	-	-	2,976	12.14
Chevron - Conservation of conservation units	7,162	3,652	618	-	-	(5)	-	(459)	-	-	-	10,968	12.14
Chevron - Conservation of conservation units - Phase II	-	6,505	97	-	-	-	-	(614)	-	-	-	5,988	12.14
Chevron - CRAS RJ	1,187	1,625	113	-	-	(16)	-	(212)	-	-	-	2,697	12.14
TAC Aerolave Caçapava	287	256	15	-	-	(461)	-	(63)	-	-	-	34	12.15
R20	6	158	-	-	-	(148)	-	(16)	-	-	-	-	12.16
Rock in Rio	177	2,025	34	-	-	(1,504)	-	(244)	-	-	-	488	12.17
Funbio-Bioguiné	83	-	3	-	-	(43)	-	(43)	-	-	-	-	12.18
Atlantic Forest III	961	1,040	58	-	16	-	-	(583)	-	-	-	1,492	12.19
RedLac Assembly	81	-	3	-	-	(4)	-	(80)	-	-	-	-	12.20
Mozambique	(5)	198	2	(2)	-	(47)	-	(140)	-	-	-	6	12.21
COP Cancun 13	44	75	-	-	-	(52)	-	-	-	-	(67)	-	12.22
CAF Amazônia (4 and 5)	-	1,586	9	(6)	-	(1)	-	(474)	-	364	-	1,478	12.23
SVA Innovation - 2nd Phase (5)	-	-	7	-	-	(14)	-	(304)	-	314	-	3	12.24
Agreement between Funbio and MMA – Probio II	-	640	34	-	-	(49)	-	(77)	-	-	-	548	12.25
State Conservation Units Amazonas	-	19	-	-	-	-	-	(19)	-	-	-	-	12.26
<b>Subtotal</b>	34,707	45,098	2,539	(25)	111	(14,747)	-	(7,148)	-	1,183	(400)	61,317	

(5) On 03/12/2017, funds from project K were transferred to project Innovation SVA 2<sup>nd</sup> Phase in the amount of R\$314. On 12/22/2017, the amount of EUR85 was allocated from Banco do Brasil Frankfurt account 3593313888, corresponding to R\$333; however, this amount was credited to Banco do Brasil checking account 130240-X only on 01/04/2018.

(6) On 09/28/2017, funds were transferred from project Moore Sustentabilidade to project CAF Amazônia, according to an agreement in the amount of USD81, at a rate of 3.296, corresponding to R\$269.

	12/31/2016	Funds received	Income from short-term investments	Finance income	Exchange rate changes	Used funds accounted for	Accountability in progress	Transfers (Funbio income) (7)	Transfer to IDG (1)	Disbursements/ Internal transfer	Accountability in progress/ Other transfers	12/31/2017	Note
Transition Fund	363,578	38,965	51,744	(3,639)	5,854	-	-	-	-	(29,700)	-	426,802	12.1
Kayapó Fund	18,643	-	2,168	(393)	-	-	-	-	-	(1,913)	-	18,505	12.4
Amapá Fund	8,351	-	1,198	(127)	154	-	-	-	-	-	-	9,576	12.27
Bahia and Espírito Santo Fund	6,836	-	388	(40)	53	-	-	-	-	-	-	7,237	12.28
<b>Subtotal</b>	397,408	38,965	55,498	(4,199)	6,061	-	-	-	-	(31,613)	-	462,120	
	705,716	130,348	77,953	(4,481)	6,961	(97,207)	(62)	(17,689)	(51,661)	-	(1,129)	748,749	
Current	308,308											286,629	
Noncurrent	397,408											462,120	

(7) In the statement of surplus, total revenue is R\$17,718 and this note shows R\$17,689, a difference of R\$29, which corresponds to a receipt from Moore relating to the 15 years of ARPA.

## Changes in project balances - 2016

	12/31/2015	Funds received	Income from short-term investments	Finance costs	Exchange rate changes	Used unds accounted for	Accountability in progress	Accountability provided	Other	Transfers, disbursements and	Transfer FMA Agreement x Agreement	12/31/2016	Note
						(a) + (b) + (c)	(a)	(b)	(c)				
ARPA 2nd Phase - GEF BM	1,678	15,827	156	(17)	-	(14,579)	(13)	(14,962)	396	(1,705)	-	1,360	12.1
ARPA 2nd Phase - KfW	1,472	20,347	116	(126)	(623)	(15,550)	(9)	(15,677)	136	(1,102)	-	4,534	12.1
ARPA FT - Operating	798	7,900	192	(31)	-	(7,219)	(22)	(7,248)	51	(880)	-	760	12.1
ARPA FT - IDB MSC	58	1,231	52	(6)	-	(367)	-	(443)	77	(275)	-	694	12.1
ARPA FT - IDB SCI	251	3,566	71	(15)	-	(1,485)	(31)	(1,485)	30	(1,546)	-	842	12.1
FMA - Environmental Compensation	179,773	12,201	16,978	(1)	-	(15,403)	-	(15,403)	-	(5,755)	(187,793)	-	12.2
FMA - Restricted card	212	1,800	96	(5)	-	(446)	-	(446)	-	88	(1,745)	-	12.2
FMA - Other sources	22,294	-	1,858	-	-	-	-	-	-	-	(24,152)	-	12.2
FMA Agreement - Instr. I-A Environmental Comp. (Brad. 3001-5)	-	895	3,191	-	-	(3,485)	(222)	(3,263)	-	-	179,950	180,550	12.2
FMA Agreement - Instr. I-B CA Federal (Brad. 3001-5)	-	-	-	-	-	-	-	-	-	-	-	-	12.2
FMA Agreement - Instr. I-C Res. Land Regularization (Brad. 3001-5)	-	-	150	-	-	-	-	-	-	-	7,842	7,992	12.2
FMA Agreement - Instr. II - OP. Donations (Brad. 3003-1)	-	-	-	-	-	-	-	-	-	-	-	-	12.2
FMA Agreement - Instr. III -A - Finan. Trust (Brad. 3005-8)	-	-	689	(1)	-	-	-	-	-	-	27,879	28,567	12.2
FMA Agreement - Instr. III-B - Finan. Trust CV (BB 25.738-2)	-	-	58	(2)	-	(112)	-	(112)	-	(61)	1,746	1,628	12.2
FMA Agreement - Instr. IV - OP. Forest Rest (Brad. 3008-2)	-	915	13	-	-	-	-	-	-	-	-	928	12.2
FMA Agreement - Instr. V - TAC (Brad. 3009-0) <sup>(1)</sup>	-	5,000	341	-	-	-	-	-	-	1,088	10,365	16,794	12.2
FMA Agreement - Instr. VI - OP. Other sources (Brad. 3010-0)	-	-	445	-	-	-	-	-	-	-	13,787	14,232	12.2
TFCA	3,717	-	348	-	-	(1,555)	(2)	(1,552)	1	(99)	-	2,411	12.3
Kayapó	777	-	49	(1)	-	(546)	-	(546)	-	(106)	-	173	12.4
Adoption of Parks	2,230	-	172	(1)	-	(1,767)	(7)	(1,773)	13	-	-	633	12.5
Juruti Sustainable Fund	3,351	-	198	-	-	(3,471)	-	(3,471)	-	(78)	-	-	12.6
FUNJUS Empowerment	21	-	-	-	-	-	-	-	-	(21)	-	-	12.6
Probio - Opportunity Fund <sup>(2)</sup>	9,781	-	847	-	-	(1,478)	-	(1,478)	-	(1,512)	-	7,639	12.7
Sustainable Probio Juruti	84	751	38	-	-	(767)	-	(767)	0	(106)	-	-	12.7
Subprojeto Votorantim - Execution	10	-	1	(0)	-	(1)	-	(1)	0	(10)	-	-	12.7
Subprojeto Votorantim - CP	19	-	-	(1)	-	-	-	-	-	(18)	-	-	12.7
<b>Subtotal</b>	<b>226,526</b>	<b>70,433</b>	<b>26,058</b>	<b>(207)</b>	<b>(623)</b>	<b>(68,230)</b>	<b>(306)</b>	<b>(68,627)</b>	<b>704</b>	<b>(12,098)</b>	<b>27,879</b>	<b>269,738</b>	

Ne.(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.

Ne.(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 Fund.

	12/31/2015	Funds received	Income from short-term investments	Finance costs	Exchange rate changes	Used unds accounted for	Accountability in progress	Accountability provided	Other	Transfers, disbursements and reimbursements	Transfer FMA Agreement x Agreement	12/31/2016	Note
<b>Subtotal</b>	226,526	70,433	26,058	(207)	(623)	(68,230)	(306)	(68,627)	704	(12,098)	27,879	269,738	-
GEF Cerrado	2	-	2	(1)	14	-	-	-	-	(17)	-	-	12.8
GEF Pollinators	176	-	11	(1)	17	(142)	-	(142)	-	(62)	-	-	12.9
Fauna Portfolio - Ararinha Azul	1,114	-	113	-	-	(390)	(2)	(388)	-	(202)	-	636	12.10
Fauna Portfolio - Sirênios	148	-	15	-	-	(6)	-	(6)	-	(38)	-	119	12.10
Fauna Portfolio Fund	544	29	67	(10)	-	-	-	-	-	(80)	-	550	12.10
New Sources ARPA	122	-	13	-	-	(21)	-	(21)	-	-	-	115	12.11
RedLac Training	33	-	1	(19)	(38)	(21)	-	(21)	-	45	-	-	12.12
GEF Nutrition	1,205	822	136	(5)	-	(991)	-	(991)	-	(124)	-	1,043	12.13
Carbono Paiter Suruí Fund	1,079	33	76	(1)	(20)	(347)	-	(347)	-	(167)	-	654	12.14
ICCO Foundation	316	-	6	(1)	(34)	-	-	-	-	(287)	-	-	12.15
GEF Mar	1,683	3,116	220	(7)	-	(3,261)	(3)	(3,297)	39	(1,003)	-	747	12.16
Project K	83	4,404	20	(6)	(237)	(1,758)	(2)	(1,758)	2	(483)	-	2,023	12.17
Moore Sustainability	749	659	30	(3)	-	(210)	-	(210)	-	(725)	-	499	12.18
Chevron - Marine and Fishing Research	5,320	10,992	571	(1)	-	(2,789)	-	(2,789)	-	(966)	-	13,127	12.19
Chevron - Porpoise conservation	2,452	3,907	246	-	-	(623)	-	(623)	-	(108)	-	5,874	12.19
Chevron - Environmental education	-	3,531	77	-	-	-	-	-	-	(408)	-	3,200	12.19
Chevron - Conservation of CU's	-	7,488	171	-	-	-	-	-	-	(497)	-	7,162	12.19
Chevron - CRAS RJ	-	1,310	29	-	-	-	-	-	-	(152)	-	1,187	12.19
TAC Aerolave Caçapava	-	396	16	-	-	(74)	-	(74)	-	(52)	-	287	12.20
R20	-	474	2	-	-	(454)	-	(454)	-	(15)	-	6	12.21
Rock in Rio	-	693	7	(3)	-	(430)	-	(430)	-	(89)	-	177	12.22
GEF Mangrove	-	444	-	-	-	(267)	-	(267)	-	(178)	-	-	12.25
SVA Innovation - 1st Phase	-	71	-	-	-	(4)	-	(4)	-	(68)	-	-	12.26
Funbio-Bioguiné	-	100	2	-	-	(8)	-	(8)	-	(11)	-	83	12.27
Mata Atlântica III	-	989	7	(4)	(31)	-	-	-	-	-	-	961	12.28
RedLac Assembly	-	491	14	(1)	-	(424)	-	(424)	-	-	-	81	12.29
PSA Matrix - Forest Trend	-	67	-	-	-	-	-	-	-	(67)	-	-	12.30
Mozambique	-	51	-	(1)	-	(55)	-	(55)	-	-	-	(5)	12.31
COP Cancun 13	-	160	-	-	-	(116)	-	(116)	-	-	-	44	12.32
Federal conservation units - Stae of Acre	10	-	-	-	-	-	-	-	-	(10)	-	-	12.33
Promar	30	-	-	-	-	-	-	-	-	(30)	-	-	12.34
<b>Subtotal</b>	15,066	40,228	1,851	(64)	(327)	(12,389)	(7)	(12,424)	42	(5,793)	-	38,571	

	12/31/2015	Funds received	Income from short-term investments	Finance costs	Exchange rate changes	Used unds accounted for	Accountability in progress	Accountability provided	Other	Transfers, disbursements and reimbursements	Transfer FMA Agreement x Agreement	12/31/2016	Note
Transition Fund	245,635	123,057	29,107	(5,417)	(20,904)	-	-	-	-	(7,900)	-	363,578	12.1
FMA -Trust fund	25,069	1,966	3,421	(777)	-	-	-	-	-	(1,800)	(27,879)	-	12.2
Kayapó Fund	16,437	-	2,509	(303)	-	-	-	-	-	-	-	18,643	12.4
Amapá Fund	-	8,127	368	(146)	3	-	-	-	-	-	-	8,351	12.23
Bahia and Espírito Santo Fund	-	6,928	2	(15)	(79)	-	-	-	-	-	-	6,836	12.24
<b>Subtotal</b>	<b>287,141</b>	<b>140,078</b>	<b>35,407</b>	<b>(6,659)</b>	<b>(20,980)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,700)</b>	<b>(27,879)</b>	<b>397,408</b>	
	<b>528,733</b>	<b>250,738</b>	<b>63,317</b>	<b>(6,930)</b>	<b>(21,931)</b>	<b>(80,620)</b>	<b>(313)</b>	<b>(81,051)</b>	<b>746</b>	<b>(27,591)</b>	<b>-</b>	<b>705,717</b>	
Current	241,590											308,309	
Noncurrent	287,143											397,408	

In the notes below, for the performance of the projects, the amounts shown in columns “Funds used for accountability purposes” and “Transfers (Funbio income)” of the table “Changes in balances of 2017 projects” were considered.

### **12.1 Amazon Region Protected Areas (ARPA) Program**

ARPA program is the largest tropical forest protection initiative in the world. Its goal is the conservation and sustainable use of 60 million hectares – 15% of the Amazon Region. In 2017, the Entity began to support 60.7 million hectares in 117 Conservation Units (CUs). This area is equivalent – for purposes of comparison – two times the size of Germany.

FUNBIO is the program's financial manager, performing the procurement and contracting activities for the CUs and performing the fund's asset management that ensures the program's sustainability in the long run, the Transition Fund (FT). This fund incorporates resources from the PAF (The Amazon Region Protected Areas Fund), organized in the program's first phase, and leverages new resources from the international cooperation and private donations, with the goal to reach 215 million dollars.

his resource should finance the CUs supported by ARPA in a gradual transition, until governmental resources assume full coverage of the CUs' maintenance cost as from 2039. In its third phase, ARPA's goal is to support the creation of more 13.5 million hectares in new CUs and the consolidation of about 32 million hectares in CUs already established.

2017 highlights include the following:

- The Transition Fund and FAP reached the amount of R\$430 million, an increase of 18% (2016: R\$363 million) arising from new deposits received from donations made by WWF and Anglo American, income from short-term investments and exchange rate changes, the latter impacted by an appreciation of approximately 1.5% in the foreign currency (US\$) included in the investment portfolio. In April 2017, all the units and creation processes supported by subcomponents 1.2 and 2.1 of the Program began to use resources from the Transition Fund, segregated and presented in the table below as ARPA FT - Operating. This migration occurred prior to the originally scheduled term as the funds available for Phase II (GEF and KfW contracts) were coming to an end.
- The amount of R\$10.9 million was allocated, and approximately R\$11.9 million from funds under Phase II of the agreement with the World Bank in the total amount of US\$15,890 million were applied in the Program. The agreement was completed in July, and its grace period ended in November 2017.
- From the contract with the Ministry of Economic Cooperation and Development of Germany (BMZ), signed with Kfw-Entwicklungsbank (German Development Bank) for Phase II in the amount of EUR 20 million, we allocated R\$11.7 million and applied R\$10.2 million;
- ARPA FT – Operating account received R\$29.7 million from the Transition Fund in 2017 and executed 25.3 million.

- With respect to the Non-Reimbursable Technical Cooperation signed with IDB – Inter-American Development Bank, totaling US\$4.5 million, which provides for the Planning and Strengthening of the Transition Fund Manager for the Amazon Protected Areas Program (ARPA) to Vida, R\$5.1 million were allocated and R\$4.5 million were managed under the two agreements: MSC and SCI.

## **12.2 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 No. 6572, dated October 31, 2013, as amended by State Law No. 7061 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 No. 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 No. 9985/00, 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 into three ways:

- a) Portfolio of projects approved by CCA/RJ: intended for the execution of projects presented by municipal, state and federal environmental agencies, as well as those intended for the management of Private Natural Heritage Reserves (RPPN), and approved by CCA/RJ, which have as its objective the support for the implementation and maintenance of one, or more, full protection conservation units. This portfolio received the initial balance of R\$179.9 million from Agreement No. 003/2009 ended on 11/14/ 2016. During the effective term of Cooperation Agreement, in 2017, the amount of R\$20.6 million (2016 – R\$3.2 million) was executed, R\$4.4 million (2016 – R\$0.9 million) was received, and the finance income from this portfolio amounted to R\$12.5 million (2016 – R\$3.2 million). Thus, the balance of this portfolio at the end of 2017 is R\$125.2 million (2016 – R\$180.5 million). Thus, the balance of this portfolio at the end of 2017 is R\$180.5 million
- b) Projects portfolio from federal environmental compensation: agreement intended for the execution of projects at conservation units, presented 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. In 2017, this portfolio received funds approximately R\$2.8 million, generated a finance income around R\$0.1 million and closed the year with approximately R\$2.9 million.
- c) Land Regularization Reserve: aimed specifically to land 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 did not receive funds in 2017 (2016 – R\$7.8 million from the environmental compensation portfolio under Agreement No.



003/2009). During the effective term of the Cooperation Agreement, approximately R\$0.6 million (2016 – R\$0.2 million) in finance income were generated and the year closed with an amount around R\$8.6 million (2016 – 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 did not receive through the end of 2017.
  
- III – Trust Financial Instrument: financial mechanism intended 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 into the following: III-A Trust Fund Financial Instrument, which received R\$27.8 million from the transfer of the balance of the Trust Fund Instrument of the Agreement No. 003/2009 and during the effective term of the Cooperation Agreement generated finance income amounting to R\$2.2 million (2016 – R\$ 0.7 million), and 2017 was closed with a balance of R\$30.8 million (2016 – R\$28.5 million); and III-B Trust Fund instrument of the restricted account consisting of a bank account No. 25.738-9 at Banco do Brasil that is used to feed 33 prepaid cards linked to the Conservation Units and Centers. At the end of Agreement No. 003/2009 and beginning of the Cooperation Agreement No. 04/2016, this account had a balance of R\$1.7 million and, during the period of the Cooperation Agreement, through the end of 2017, the amount of R\$0.5 million (2016 – R\$0.1 million) was used to feed the cards, and the account balance closed the year with R\$1.6 million (2016 – 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 No. 11428/2007, 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. In the effective term of Cooperation Agreement, this instrument received funds in the amount of R\$1.2 million (2016 – R\$0.9 million), which generated a finance income of approximately R\$0.1 million and resulted in a balance of R\$2.3 million (2016 – R\$0.9 million) at the end of 2017.
  
- V - Conduct Adjustment Commitment – 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 Agreement No. 003/2009 did not receive funds in 2017 (2016 – R\$5.0 million) already during the effective term of Cooperation Agreement No. 04/2016, which, plus finance income of R\$1.2 million (2016 – R\$0.3 million), the amount of R\$3.6 million was executed and generated a balance of R\$13.3 million (2016 - R\$16.8 million) at the end of 2017.
  
- 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 Agreement No. 003/2009, did not receive funds in 2017, and generated a finance income of R\$1.2 million (2016 – R\$0.4 million), closing the fiscal year with a balance of R\$15.4 million (2016 – R\$14.2 million).

In the table shown in this Note, it is possible to identify the total funds used under each of the contractual instruments (Agreement No. 003/2009 and Cooperation Agreement No. 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 2017, the following activities were performed:

Uncompleted projects of Phases 2 and 3 were monitored based on technical and financial reports provided every six months. In addition, in-site monitoring will be performed throughout 2018.

The project performed by Fundação Brasileira para o Desenvolvimento Sustentável (FBDS), one of the seven being conducted in 2016, was completed in the second half of 2017 and the projects submitted by Associação do Movimento Interestadual das Quebradeiras de Coco Babaçu (AMIQCB) received additional funds equivalent to 10% of the agreement amount, due to their execution capacity shown from the technical and financial reports. The other projects followed their normal execution and are expected to be completed as defined in the underlying agreements. In 2017, nine disbursements were made for the projects, totaling R\$1.7 million (2016 – R\$1.5 million).

### **12.4 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 2017, the third cycle projects were initiated and the total amount of R\$1.7 million was disbursed. Also in 2017, a total R\$1.9 million (2016 – R\$0.5 million) was executed.

In 2017, the following third cycle projects were initiated:

**Strengthening of the Organizational Management and Productive Activities of Kayapó Menkragnoti People in the BR-163 Corridor (Xingu Basin)** – The main purpose of this purpose is to strengthen the administrative capacity of Instituto Kabu, the Project manager, to support income-generating initiatives to promote quality of life in 10 villages in Baú and Menkragnotí areas, both in the State of Pará. These low environmental impact projects are aimed at strengthening the chains of Brazil nuts, cumaru, fibers, wood, cotton and resins intended for handcraft activities.

**Promote the Social, Economic, Land, Institutional, Cultural and Political Autonomy of Kayapó people, performed by Instituto Raoni** – The main purpose of this project is to strengthen the social, economic and cultural autonomy, land protection and Kayapó people's actual engagement in processes and levels of decision-making on matters of interest and assurance of their rights. The project is developed in 16 villages in two indigenous areas where more than 2 thousand indigenous people live: Menkragnoti, in Pará, and Capoto/Jarina, in Mato Grosso. The main activities are to promote the production, management and sale of handcraft works, strengthen the supply chain of cumaru and copaiba, support the production of farms for subsistence and sale, and support to the inhibition of the presence of invaders and external threats and exchange of experiences among indigenous in areas such as public policies, land and environmental management.

**Initiatives relating to Land and Environmental Management of Kayapó Communities, executed by the Protect Forest Association** – The main purpose of the project is to strengthen Kayapó communities by the protection and sustainable management of their land and natural resources and promote their economic and political autonomy. The project is executed in 17 villages of three indigenous land: Kayapó, Menkragnoti and Las Casas, in Pará, which, together, amount to 6 million hectares. The main activities supported are the empowerment for the protection of land, the strengthening of agroextractivism and handcraft supply chains for increased income generation and consolidation of institutional actions so that indigenous people may have greater protagonism.

FUNBIO made a monitoring visit to Instituto Raoni in the period from July 16 to 22, 2017, where the technical and financial quality of the work performed by the beneficiary institution is verified.

## **12.5 Adoption of Parks**

This support method, created in 2011, seeks voluntary private investment to structure and foster the maintenance of Federal, State or Municipal Conservation Units, 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 effective agreements include:

<b>Park</b>	<b>Area (thousand) Hectares</b>	<b>Recursos Contratuais</b>
Parque Nacional Marinho de Fernando de Noronha	10.9	R\$ 4.3 million - OGX
Parque Nacional dos Lençóis Maranhenses	155	R\$ 3.5 million - MPX/ENEVA

In 2016, the project that supports Parque Nacional dos Lençóis Maranhenses was completed and, in 2017, the funds held in the related restricted account were accounted for.

Throughout 2017, the support to Parque Nacional Marinho de Fernando de Noronha, via Program Adoption of Parks, made it possible to acquire equipment, furniture and household appliances for structuring the researchers hosting facilities whose renovation was financed in 2016. In addition, the Program supported the pilot research project relating to sardine handling in partnership with universities, and several materials related to fishery and underwater photography cameras were financed.

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

At the end of 2017, the balance of the Park Adoption Program amounts to R\$ 0.6 million (2016: R\$0.6 million), and R\$72 thousand (2016: R\$1.7) was applied to its activities.

## **12.6 Opportunities Fund of Probio II Project – National Project of Integrated Public Private Actions for Biodiversity**

Probio II closed in 2014 and funds were accounted for in 2015, with partnerships made with the private sector for the execution of 7 subprojects in 6 productive territories to incorporate appropriate practices and biodiversity-favorable strategies. These territories are divided into 3 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 subprojects, Probio II established the Opportunities Fund, a financial mechanism that enables adding biodiversity conservation to private sector initiatives.

Through the Opportunities Fund, the subprojects receive funds to perform 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 2017, the following actions were carried out under the Opportunities Fund:

- The Technical Committee of the Opportunities Fund evaluated and remotely approved a new proposal for the territorial subprojects to be completed in Pampa biome to be performed by SAVE Brazil, namely: Conservation of the biodiversity coupled with the agriculture and livestock production in Pampa biome.
- Four territorial subprojects are being executed:
  - 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 / Project Saúde e Alegria.
- Two territorial subprojects are being executed:
  - “Forestry Industry Development (Cabraça cocoa, tourism, tropical agroforestry and PSA) in the Southern Coast of Bahia”, in partnership with Instituto Arapyaú de Educação e Desenvolvimento Sustentável
  - “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.
- The Subproject “Promotion of Good Livestock 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) was cancelled.

During 2017, the Opportunities Fund disbursed R\$1.9 million in the initiatives above, totaling an execution of R\$2.4. The fund has a balance to be disbursed of R\$5.7 million at the end of the fiscal year.

## 12.7 Fauna Brazil Portfolio

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, the Fauna Portfolio supported the process to create a conservation unit in the area where the species occur, in Bahia, which included from environmental and social studies to public consultation. In 2017, the amount of R\$0.5 million (2016: R\$0.3 million) was used, and the project financial balance at the end of the year was R\$0.1 million (2016: R\$0.6 million).

For Sirênios project, in 2017, the last tranche of the fund was used to acquire equipment and engagement of labor empowerment, amounting to R\$98 thousand.

Fauna Fund has a balance of R\$0.6 million at the end of 2017 (2016: R\$0.5 million); during this period, R\$7 thousand was received and a finance income of approximately R\$53 thousand was generated.

Through 2017, Fauna Portfolio monitored the execution of a total 11 projects for the 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 Rondônia State, red-tailed amazon and Spix's macaw.

## **12.8 Commitment for the Amazon Region – ARPA for Life – New Sources**

The purpose of Project ARPA (The Amazon Region Protected Areas) for Life is to create and implement a new financing strategy for ARPA program. The model combines funds already deposited in FAP (Fund for Protected Areas) with private bilateral and multilateral investments, creating a transition fund. This fund will enable gradually increasing the public funds in the conservation units, 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, with the support of other ARPA partners.

The main achievements, use of funds and activities performed in 2017 were the following:

Economic and institutional studies on financing opportunities were contracted by means of promotion mechanisms and the use, change or creation of taxes, exemptions and tax incentive linked to Manaus Free Trade Zone, to ensure the financial sustainability of the protected areas of State of Amazonas.

The term for the engaged consulting to complete the work was extended.

The main challenges for 2018 are:

Preparation of a report identifying and presenting the methodologies (amounts used) of Manaus Free Trade Zone taxation system.

Preparation of a report identifying the possibilities of allocation of funds arising from Manaus Free Trade Zone for the conservation.

Preparation of a report identifying, describing and detailing, by means of an explanatory text, how federal state and municipal tax and exemptions operate on the concession within Manaus Free Trade Zone; the opportunities to accumulate tax credits should be clearly shown.

In 2017 and 2016, no funds were received and the amount of R\$28 thousand was used in 2017 (2016: R\$21 thousand) considering the reimbursement tranches of Funbio team.

The balance of R\$95 thousand was transferred to Federal Environmental Compensation Amazônia (CAF Amazônia), thus zeroing the project balance.

## 12.9 GEF Nutrition – Conservation and Sustainable Use of the Biodiversity for Improved Human Nutrition and Well-Being

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 program.

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 2017, the following activities and results were achieved by the Project:

- A laboratory analysis of the composition of food is being completed and the data already available is currently being revised;
- A preliminary version of SiBBr database was launched during the BFN Symposium in November 2017 (<https://ferramentas.sibbr.gov.br/ficha/bin/view/FN>). The final adjustments and the inclusion of data are being made and will be completed in March 2018;
- The first 3 lessons of the online course were launched in English and in Portuguese during the BFN Symposium in Brazil. The remaining 4 lessons are being concluded;
- The development of revenue for the recipes book was completed and the book is being concluded;
- In 2017, UFG partners developed a folder to guide the rural communities on the identification, management and use of species prioritized for the Mid-west Region;
- A communication advisory agency was retained to expand and disclose messages on the BFN Project, the BFN Symposium and the materials and tools produced by the project. In the reporting period, 34 articles and interviews in 73 channels on Project BFN and the International Symposium (APPENDIX 3) were published, and one Facebook page was created;
- PNAE incorporated native species prioritized by BFN in the 4<sup>th</sup> cover of textbooks used in Brazilian public high schools;
- The International Symposium on Biodiversity for Food and Nutrition, organized by BFN Brazil, was held in Brasília on November 27 and 28, 2017, with participation and presentations by all local partners (Ministries, Universities and Research Institutes), GPMU, FAO, ONU Environment, Kenya, Sri Lanka and Turkey. The main legacy products developed in Brazil were presented: Database on the Composition of Food and Recipes, Plants for the Future Books, Recipes Book and Online Course.

During 2017, the project allocated R\$0.7 million and used R\$1.2 million.

### **12.10 Paiter Surui Fund**

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 fund was conceived by Associação Indígena Metareilá, with Funbio's support, and had as partners the Amazon Conservation team (Ecam), Associação de Defesa Etnoambiental Kanindé, Instituto de Conservação e Desenvolvimento Sustentável do Amazonas (Idesam) and Forest Trends.

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.

At the end of 2016, Funbio agreed to transfer the total funds as well as the financial management to Metareilá Association. A step already included in the fund conception: by completion of the technical cooperation phase, which would be performed by a non-Indian institution, the funds and financial management should be transferred to a Surui association. In 2017, the transfer was made under an agreement executed between Funbio and Metareilá, in the amount of R\$0.6 million, thus completing the project.

### **12.11 Protected Marine Areas Project – GEF SEA**

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% to 5%.

GEF Sea is valued at approximately US\$116 million, relying on \$18.2 million in investments from GEF, US\$20 million from Petrobras and consideration from the company itself in economically measurable goods and services, which amount to additional US\$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 conservation units 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 (R\$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;
- 3<sup>rd</sup> and 4<sup>th</sup> 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 recurring demands.

In 2017, R\$9.2 million was contributed to projects and R\$8 million was used in the following activities:

- Maintenance of the WG of the Project's Component 2 (Financial Sustainability) and performance of the activities under the PO;
- Workshop for planning of activities and empowerment in operating procedures for years 2017 and 2018, involving managers from all units executing the Project (ICMBio and representatives from 06 States) and MMA;
- 5<sup>th</sup> and 6<sup>th</sup> Project Supervision Missions (Parque Nacional Marinho de Abrolhos and Brasília);
- Support to community management projects;
- Periodic Project Coordination meetings with MMA, ICMBio and the World Bank;
- Delivery of lots of assets purchased by FUNBIO for the Project, engagement of consulting and services to meet execution agencies' requirements;
- Continuity of negotiations with Petrobras by MMA;
- Use of funds via purchases and local hires, fuel card, food and meal vouchers and umbrella agreements for recurring demands.

## 12.12 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.

### *Main results reached in 2017:*

- Financing of 6 pilots of innovative financial mechanisms in Brazil, Peru, Costa Rica, Malawi, Cameroon and Mozambique;
- Support to mentorship activities among 6 peers, 1 group of Funds (RedLAC and CAFÉ);
- 1 empowerment workshop held in Mauritania;
- Structuring of the WG that will define the financial sustainability strategy of RedLAC e CAFÉ networks in the future;
- Communication of the Project International Conservation Conference (IUCN Hawaii) and RedLAC (Brazil) and CAFÉ (Malawi) meetings.

### *Challenges for 2018*

- Systematization of the pilot case studies of the supported financial mechanisms;
- Systematization of the case studies of the supported mentorship experiences;
- Definition and implementation of the financial sustainability strategy of RedLAC and CAFÉ networks;
- Structuring of a WG to discuss the topic “Monitoring and Assessment in the context of the Funds and the networks”;
- Revision of the study of the networks and used of a system of indicators at the levels of the Funds, networks and impacts;
- Conclusion of the projects.

In 2017, the project used funds totaling around R\$2.7 million (2016: R\$1.8 million) and, at the end of the year, had a balance of R\$1.4 million (2016: R\$2 million).

## 12.13 Project Moore Sustainability

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;

The main achievements, use of funds and activities performed in 2017 were the following:

- Two sustainable dialogue events, encompassing a variety of sources: Environmental compensation, conduct adjustment commitment, forestry concession, public use and bilateral and multilateral financing made (Manaus and Brasília) in partnership with Abrampa, the Pró-UC Coalition and MMA;
- Training in Tax Law to FUNBIO's team, with a focus on tax credits arising from credits accumulated in the supply chain;
- Design of tax credit strategies;
- Establishment of a Working Group on the Conservation Financing in the Pró-UC Coalition, released by FUNBIO;
- Establishment of a partnership with Abrampa to discuss legal obligations as conservation financing instrument;
- Creation and development of two groups, technical and counselling, to discuss guidelines for the execution of environmental compensation;
- Publication of the "Environmental compensation: guidelines and recommendations for its execution" brochure;
- Reallocation of a component intended for studies on the compensation mechanism with the Federal Government to a specific project, named "Compensação Ambiental Federal" (CAF).

In 2017, R\$0.2 million was used in the project (2016: R\$0.2 million) and no contributions of funds were made in 2017 (2016: R\$0.6 million).

The balance of R\$0.2 million was transferred to Federal Environmental Compensation Amazônia (CAF Amazônia), thus zeroing the project balance.

The main challenges for 2018 are:

- Approve the strategy developed for tax credits;
- Expand the debate on "Innovation and strategies of financing for conservation" in the Sustainability WG of the Pró-UC Coalition;
- Prepare texts on the sources of financing considered in the sustainable dialogues;
- In the States of Rondônia and Pará, roll out the model being developed at the federal level;
- Capitalize Amapá fund.

## 12.14 TAC (Conduct Adjustment Commitment) Execution Agreement – Chevron do Brasil

The execution of a Conduct Adjustment Commitment (TAC) by Chevron Brasil and the Federal Prosecutor's Office, with the participation of the National Petroleum Agency (ANP) and the Brazilian Environment and Renewable Natural Resources Institute (IBAMA) gave rise to 8 projects, amounting to R\$95 million, oriented to the conservation of the marine-coastal environment in the States of Rio de Janeiro, Espírito Santo and São Paulo. 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 2017, the project organized meetings of the Technical Board, comprised of specialists, including government representatives and launched a Call for Projects, which resulted in the selection of two research sub-projects, covering the Management Area III (FMA III). The personnel responsible for the subprojects were trained and the effective support was started through transfer of resources to one of them. In addition, the monitoring activity was initiated to in-site check the progress of each supported project. Through the end of the year, 2 subprojects were visited. Still in 2017, activities were initiated relating to the project communication campaign. A photographer was engaged to capture images of the species in its habitat.

In 2017, the project received funds totaling around R\$6.1 million, and R\$3.5 million (2016 – R\$0.7 million) was used. A tranche of the agreement was deposited in FUNBIO's account relating to another project – FMA TAC, vide item 12.2 above. This entry was transferred to this project right after the reporting date, that is, 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 2017, support to the 15 research subprojects through transfer of funds continued to be provided. In addition, the monitoring activity was initiated to in-site check the progress of each supported project. Through the end of the year, 6 subprojects were visited.

In 2017, the project received funds totaling around R\$11,3 million, and R\$8.9 million (2016 – R\$3.7 million) was used.

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

The 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.

In 2017, a Technical Board composed of specialists was created and a Call for Statement of Interest was launched; at the end of the process, an institution was selected, which would be responsible for the functioning and maintenance of CRAS' structure. After questioning by the Federal Prosecution Office on the process of selection and choice of the winner, Funbio opted to cancel the Call. New meetings with the Technical Board are expected to be held in 2018 at which a resolution will be made on the continuity of the project.

In 2017, the project received funds totaling around R\$1.6 million, and R\$0.2 million (2016 – R\$0.1 million) was used.

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.

In 2017, arrangements were initiated to enter into a Technical Cooperation Agreement between Funbio and ICMBio, without which providing support to said conservation units will not be possible.

In 2017, the project received funds totaling around R\$3.6 million, and R\$0.5 million (2016 – R\$0.5 million) was used.

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.

In 2017, a Reference Instrument was launched to engage a consulting firm which will be responsible for consolidating information to identify gaps and the potentialities of the Environmental Education Projects (PEAs) and Fishing Activity Compensation Plans (PCAPs) as well as design the format of calls for the selection of environmental education projects with an emphasis on income and work generation for fishing communities in the coastal cities in Northern Rio de Janeiro, the Region of Lakes and the surroundings of Baía de Guanabara. This is the initial stage for the continuity of the activities expected to be performed under the project.

In 2017, the project received funds totaling around R\$5.0 million, and R\$0.5 million (2016 – R\$0.4 million) was used.

f) Maintenance of a Wild Animal Rehabilitation Center – CRAS – in the State of Rio de Janeiro

The purpose of the project is to maintain a Center for Wild Animal Rehabilitation (CRAS) in the State of Rio de Janeiro implemented using part of funds from TAC funds, including the acquisition of appropriate food, human and veterinary medications, outpatient and laboratory materials, individual protection equipment, uniforms, payment of salaries and support to training of all staff involved, for proper assistance in case of environmental emergency, especially those related to oil linkage. This project will start when the project for implementing a CRAS in the State of Rio de Janeiro is completed.

g) Conservation and Sustainable Use of the Biodiversity in five Federal Coastal and Estuarine Conservation Units in the States of Rio de Janeiro and São Paulo

The purpose of the project is to promote the conservation of biodiversity in the coastal and marine zone of the States of Rio de Janeiro and São Paulo and the sustainable use of the fishing resources as a long-term strategy to contribute to the environmental, social and economic sustainability of the activity by strengthening and supporting the conservation and the sustainable use of biodiversity in five coastal and marine zone of the States of Rio de Janeiro and São Paulo:

- (i) Monumento Natural (MONA) das Cagarras;
- (ii) Environmental Protection Area (APA) in Cairuçu;
- (iii) National Park (PARNA) in Serra da Bocaina;
- (iv) Guanabara Ecological Station (ESEC); and
- (v) Tupinambás Ecological Station (ESEC).

In 2017, arrangements were initiated to enter into a Technical Cooperation Agreement between Funbio and ICMBio, without which providing support to said conservation units will not be possible.

In 2017, the project received funds totaling around R\$6.5 million, and R\$0.6 million was used.

h) Implementation of environmental education projects focused on the environmental quality of fishing communities of the State of Rio de Janeiro

The purpose of the project is to promote the conservation of biodiversity in the coastal and marine zone of the State of Rio de Janeiro, the sustainable use of the fishing resources in the State and the strengthening of artisanal fishing as a long-term strategy to contribute to the environmental, social and economic sustainability of the activity by implementing educational projects and improving environmental quality.

In 2017, the project received funds totaling around R\$3.2 million, and R\$0.3 million was used.

### **12.15 TAC Execution Agreement – 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 one million, one hundred and forty-one thousand, forty reais and 90 cents (R\$1,141,040.90).

The Project has three objectives. 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 2017, the preparation of Management Plans continued to be financed, and approximately R\$0.5 million was used (2016 – R\$0.1 million used and R\$0.2 million received).

### **12.16 Project to Support to R20 Brazil Activities**

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 second year of the partnership, the amount of R\$0.1 million was received and R\$0.1 million (2016 – R\$0.5 million) was accounted for.

### **12.17 Amazon Live – 1 Million trees in Rio Xingu River headwaters (Rock in Rio and 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.

During 2017, the project received in FUNBIO the amount of R\$2.0 million and disbursed R\$1.5 million to ensure purchases of seeds, maintain the areas planted in 2016 and plant new areas in 2017/2018, totaling R\$1.7 million (2016 – R\$0.5 million) of funds used.

### **12.18 FUNBIO Mentoring – BioGuiné**

Financed by the Project K mentoring component, the purpose of this project was to empower Fundação BioGuiné (Guiné Bissau) in the development of financial mechanisms and financial administrative processes focused on the conservation of biodiversity. FUNBIO was the mentor of Fundação BioGuiné.

In 2017, the results reached are related to the training provided to Fundação BioGuiné team by FUNBIO on how to design financial mechanisms and structure an operating manual for its implementation, performed locally in Guiné Bissau and preceded by the preparation of the content. The training counted on the participation of stakeholders such as representatives from the protected areas agency and donors. In 2017, the total project balance, R\$86 thousand (2016 – R\$19 thousand), was used.

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

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).

At the end of 2017, the second contribution of funds to the project, in the amount of R\$1 million, was made and R\$0.5 million was used in the following activities:

- 10 new requests to engage consulting services (legal entities – “PJ”) to: Preparation of Municipal Plans for the Atlantic Forest, registry and validation of registrations with CAR, training in adaptation based in ecosystems, economic analysis of the supply chain for recovery of native vegetation, preparation of a strategy to increase the availability of



financing for recovering the native vegetation at scale and revising the Priority Areas for conservation of biodiversity in the Atlantic Forest.

- Out of them, services for revision of priority areas for conservation were retained and the work was initiated.

The execution of the project is contingent upon several factors, such as request of funds to Funbio (to date, only R\$4.9 million was requested), clarity in eligible procedures (the final version of MOP is still pending approval), internal mistakes in managing funds earmarked to meet purchasing requirements. In 2018, the necessary corrective actions were taken (out of 10 requests received, 1 is completed, 6 are under a procurement process and 3 await acceptance and/or approval of the Bidding Notice prequalifying donors).

### **12.20 Assembly of the Network of Latin America and the Caribbean Funds (RedLAC Assembly – Brazil 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 Philanthropy 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.

Considering donations and concessions, the amount of R\$491 thousand was raised. Out of this amount, R\$508 thousand was used in the event (R\$424 thousand in 2016 and R\$84 thousand in 2017). The project was completed in 2017.

### **12.21 Project to Support BIOFUND - Mozambique**

The purpose of the Project, in partnership with GITEC, the German consulting firm and the local NGO Verde e Azul, was to provide technical support to strengthen BIOFUND's operating capacity. Funbio supported BIOFUND in the definition and implementation of procedures, design and use of tools focused on the financing of the Protected Areas of Mozambique. The project counted on funds totaling approximately USD1 million from the German Development Bank – KfW between 2016 and 2017.

#### *1. Main results reached in 2017:*

- Structuring of procedures, definition of flows for the main projects performed by BIOFUND and approval of its Operating Guide and appendices (Selection Guide and Disbursement Guide);
- Support to BIOFUND 1<sup>st</sup> Training in procedures to focal financial points of Mozambique conservation areas;

- Mapping of process for the improvement of project execution procedures;
- Preparation of a tool for sizing efforts and team resources for managing the portfolio of projects, as strategic planning inputs.
- Conclusion of the project.

In 2017, a new agreement was signed with GITEC for the second phase of the project, aiming at the continuity of technical support to increase the quality of BIOFUND's institutional performance in facing the new challenges that will arise. Funbio will continue to support BIOFUND in the definition and implementation of continuous improvement procedures, design and use of tools focused on the financing of the Protected Areas of Mozambique. The project counts on funds totaling approximately USD400 thousand from the German Development Bank – KfW to be used in the first half of 2018.

For 2018, we have the following challenges:

- Mapping of processes, definition of flows and recommendations for improvement of BIOFUND's financial and administrative activities;
- Structuring of procedures and flows and tools for monitoring the institutional performance and projects executed by BIOFUND;
- Preparation of a policy and a manual for monitoring BIOFUND.

In 2017, the project received R\$0.1 million and, in the first phase, used R\$0.1 million (2016 – R\$55 thousand).

### **12.22 Cop Cancun 13**

From December 4 to 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, Votorantim Industrial, and Conservation International do Brasil - CI.

Considering donations and concessions, R\$0.2 million was received. Out of this amount, R\$0.1 million was used in the event (R\$0.1 million in 2016 and R\$51 thousand in 2017). The amount of R\$68 thousand was transferred to Brazil's International Conservation, upon sponsors' consent. The project was completed in March 2017.

### **12.23 Federal Environmental Compensation in the Amazon Region (CAF Amazônia)**

The purpose of the project is to assist ICMBio in its efforts to create and implement tools and processes to optimize the use of federal environmental compensation resources, with a major focus on the protected areas of the Amazon biome. For its implementation, Funbio counts on funds from Gordon and Betty Moore Foundation, in addition to consideration from ARPA Program and ICMBio, totaling US\$1,017,111.

Since the agreement supporting the project was signed in September 2017, a few results were reached through the reporting date, basically corresponding to alignments made with ICMBio and Gordon Betty Moore Foundation as to the scope of the project, which was slightly changed due to recent amendments made to the federal environmental compensation laws.

In 2017, we received a total of R\$1.6 million; out of this amount, R\$269 thousand derive from the Moore Sustainability project and R\$95 thousand from the Commitment for Amazon – ARPA for Life – New Sources, and R\$1.6 million was contributed by Gordon and Betty Moore Foundation.

Over 2017, R\$0.5 million was used considering the reimbursement portions of Funbio's team.

#### **12.24 Forestry Innovation**

The Forestry Innovation project corresponds to the second phase of the “SVA Innovation” project, where Funbio was selected by Project K to receive US\$200 thousand to design a financial mechanism for the social and economic development of plots of land surrounding large real estate projects based on their local potentialities. The pilot of the initiative occurs in Northern Rondônia, which has a strong forestry vocation, in the area of influence of the hydroelectric plant (UHE) Jirau.

The project requires a 1:1 consideration. Accordingly, Funbio, in conjunction with the main partner of the project, Engie, accounted for the use of these funds two times throughout 2017.

In 2017, a series of interviews and contacts were made with stakeholders (experienced in the forestry sector) both from inside and outside the territory, in addition to local project communication events, engagement and gathering of information. The project was also presented in local and international forums. These agreements allowed to establish strategic partnerships with the private and public sectors, the academy and the third sector. The project also developed a proposal to raise additional funds, engaged a consulting firm specializing in wood and non-wood management and started the financial mechanism design.

In 2017, the amount of R\$0.3 million was used, and a balance of R\$3 thousand remained in the account.

#### **12.25 Cooperation Agreement between Funbio and MMA – Probio II**

The Agreement was conceived to make it feasible the use of the remaining financial funds from the Integrated Public-Private Actions for Biodiversity Project (Probio II – TF 91515). These funds derive from the finance income from GEF donation and upon an agreement made among Caixa Econômica Federal, the World Bank and FUNBIO.

On January 31, 2017, the amount of R\$0.6 million was transferred to Funbio to be used in the following activities:

- Promote actions related to revision of priority areas for the conservation, sustainable use and partition of the Brazilian biodiversity benefits to Pampa biome, and
- Disseminate information on the Brazilian biodiversity by means of the digitalization and online availability of critical rare biodiversity works in Brazilian libraries.

During 2017:

- Consulting services were engaged to revise priority areas for the conservation, sustainable use and partition of the Brazilian biodiversity benefits to Pampa biome;
- The activity to disseminate information on the Brazilian biodiversity by means of the digitalization and online availability of critical rare biodiversity works in Brazilian libraries was completed.

In 2017, R\$0.1 million was used.

### **12.26 Publication State Conservation Units in the Amazon Region**

In 2012, Funbio, in partnership with the State of Amazonas Environment Secretariat, received financial support from Gordon and Betty Moore Foundation and ARPA Program to perform a financial diagnosis and a financing strategy for the State of Amazonas Conservation Units System (SEUC) (this diagnosis was part of a larger project dubbed Moore Amazonas). At the end of 2016, WWF-Brazil and Funbio made a technical-financial partnership agreement whereby Funbio will receive R\$63,000.00 to revise the information and prepare a publication on SEUC financing strategy and environment.

The main achievements, use of funds and activities performed in 2017 were the following:

- Mapping of the conservation units' financial requirement and revision of the cost modeling;
- Mapping of the short-term financial offer;
- Promotion of a workshop in Manaus gathering several stakeholders to obtain information on the financial offer and long-term financial strategies.

The main challenges for 2018 are:

- Communication with SEMA/AM, since there was a recent change in government and the current government is transitional (change in 2018) and elections;
- Elections 2018 – possibility that government will change;
- Define the financial strategies for conservation units in the State of Amazonas;
- Develop a publication (final content, design and printing).

In 2017, R\$19 thousand was used in the project and R\$19 thousand was received.

### **12.27 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 conservation units 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. The fund is invested and a revision is being made of the project operating guide and governance structure. The need to make a realignment due to changes to the team is also being revised.

### **12.28 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. The fund is invested and a revision is being made of the project operating guide, governance structure and execution format.

### **13. GEF Agency**

The Global Environment Facility (GEF) created in 1991, following the Convention on Biological Diversity signed during Rio-92, had a pilot phase as a program under the World Bank and, in 1994, became independent.

GEF funds are available for developing countries and countries whose economy is in transition to meet the objectives of international conventions and environmental agreements. GEF funds are transferred to agencies accredited by GEF.

FUNBIO, which already executed projects implemented by other agencies, such as: The World Bank and FAO, is the only agency in Brazil accredited by GEF and one of the 3 in the world.

GEF Agency is an area of Funbio the purpose of which is to mobilize resources directly from the Global Environment Facility (GEF), capacity allowed to Funbio after an accreditation process in this Funds, which was closed in 2015.

The creation of GEF Agency in FUNBIO allows to support institutions, especially the Ministries of Environment, Sciences, Technology, Innovation and Communication, interested in the preparation and adequacy of projects to be submitted to GEF.

Once approved, each project receives funds for the *Fund Project* (funds allocated to the project to be implemented) and for *Agency FEE* (funds from the implementing agency) initially for the preparation of projects, and, after approved, receives funds for its actual implementation.

In 2016, FUNBIO submitted two proposals to GEF project, totaling around US\$20 million.

Projects submitted	Partners	Biome
Pro-species Project	MMA, IBAMA, ICMBio and UICN	Nationwide
Monitoring of Changes in the Use of the Soil (LULUCF)	MCTIC, INPE	Nationwide

In October 2016, GEF cut the budget for the countries. Consequently, Brazil had to prioritize the projects that had already been submitted, and the project "Monitoring of the Use of Soil" was suspended until 2018. Therefore, the area has worked only with a project related to endangered species in Brazil.

Project Pró-Espécies, which is intended to improve the conservation status of 290 endangered species that do not occur in conservation units or indigenous land, was approved by GEF Board at the meeting of April 2016. After that, Funbio received funds to detail the project to a full version and contracted UICN so that, together with, could do such work.

In 2017, Funbio submitted the full project to GEF Secretariat, which approved it on July 20, 2017. Since that date, the work has been focused on the detailed project planning, including the preparation of the Operating Project Manual, the standard agreement that will be used in GEF projects and the work of identification of the institution that will execute the project. The project is scheduled to be initiated in the second quarter of 2018. This will be the first GEF Agency project in Funbio to go through GEF's entire approval cycle and actually initiate the implementation processes.

In addition to this work, the area is also responsible for the accreditation in another multilateral funds, the *Green Climate Fund*.

### **Preparatory Pro-Species Project**

On August 24, 2016, a financial support agreement was signed between Funbio and UICN Association to evaluate the "National Strategy for the Conservation of Endangered Species" project for application to the *Global Environment Facility* – GEF Board, effective for 9 months, involving the amount of R\$800, of which R\$400 was transferred in 2016. In 2017, an amendment was signed extending the effective period by 5 months and adding R\$147 to the agreement amount. The amount of R\$400 was transferred and R\$328 was accounted for.

UICN is an environmentalist organization founded in 1948. In Brazil, it has operated as an NGO since 2010. Its activities are focused on the application of UICN's Global Program in Brazil, involving a variety of topics, such as: governance, environmental policies and legislation, protected areas, endangered species and ecosystems, landscape ecology and planning, ecological restoration, climate change, ecosystem services.

The Project is intended to prepare a Pro-Species Project based on the support of the Ministry of Environment in preparing the Pro-Species Project Document, with technical and administrative support to hold meetings and workshops, articulation of key players for the preparation and execution of Pro-Species Project, engagement of consulting firms and preparation of documents, including and mainly the Pro-Species Project Evaluation Document, with content and form adequate for the submittal of the document to GEF Executive Secretariat for their endorsement.

The transfer of funds to the project was made by means of disbursements, according to the physical and financial budget and disbursement calendar, and the execution has followed the rules in Funbio's Manual of Procedures and Acquisitions and Contracts – PO-12/2014.

All purchases and contracts have been recorded in the plan of acquisitions and each transaction is submitted to Funbio for analysis and acceptance as a way to enforce and ensure the application of Funbio's rules.

After the full project was approved by GEF Secretariat on July 20, 2017, the focus of the relationship with UICN was placed on the preparation of the project execution with the preparation of the Operating Guide and preparatory meetings with the project beneficiaries. However, at the end of 2017, the project was temporarily suspended. At the beginning of 2018, an evaluation will be made of the continuity of this work.

The table below segregates the funds intended for advances to FUNBIO for preparation of proposals and the institution's administrative costs, funds that should be directly allocated to the projects approved.

	12/31/2017	12/31/2016
Funds related to GEF Agency - Projects	175	563
Funds related to GEF Agency - FUNBIO	4,162	1,663
Funds related to GEF Agency - Grant Prospecies	4,858	-
	9,195	2,226

	12/31/2017	12/31/2016
Project advance - GEF Agency	472	400

**"GEF Agency" - FUNBIO**

Description	12/31/2016	Cash inflow - Contributions to projects approved	Funbio costs	Income on short- term investments	Finance costs	12/31/2017
"GEF Agency" - FUNBIO (c/a 29149-8)	1,663	2,359	(10)	159	(10)	4,162
	1,663	2,359	(10)	159	(10)	4,162

Description	Type	12/31/2017		12/31/2016	
Banco do Brasil - C/A 29149-8	Checking account	-	-	-	-
Banco do Brasil - Investment account FF LP Corp mill 29149-8	Short-term investment	4,162	1,663	-	-
<b>Total cash and cash equivalents</b>		<b>4,162</b>	<b>1,663</b>		

**"GEF Agency" - Projects**

Description	12/31/2016	Cash inflow - Projects approved	Advance - Preparation of projects	Transfers (allocations)	Amounts accounted for	Income on short- term investments	Exchange rate changes	Finance costs	12/31/2017
"GEF Projects" - Projects (NY c/a 76250011-7)	90	4,881	-	(4,923)	-	-	(40)	(8)	-
Pró Espécies Preparation (c/a 129150-5)	473	-	(400)	79	-	23	-	-	175
Pró Espécies Preparation	400	-	400	-	(328)	-	-	-	472
Pro Espécies Grant (c/a 23533-4)	-	-	-	4,844	-	33	-	(19)	4,858
	963	4,881	-	-	(328)	56	(40)	(27)	5,505

**Bank balances**

Description	12/31/2017	12/31/2016
BB c/a 29150-1	-	1
BB investment account 29150-1	-	472
BB investment account 129.150-5	175	-
BB investment account 23533-4	4,858	-
BB NY c/a 76250011-7	-	7
BB NY Overnight investment account 76250011-7	-	83
<b>Total</b>	<b>5,033</b>	<b>563</b>

In 2016, FUNBIO release an advance of R\$400 to IUCN – União Internacional para Conservação da Natureza, which, in turn, accounted for the amount of R\$328, with a remaining balance of R\$472 in 2017, which will be accounted for in 2018.

Additionally, FUNBIO received at the end of 2017 the remaining “fee” advance under agreement GEF-ID-9271, of 08/03/2016, relating to Project GEF Species, in the amount of R\$2.3 million (US\$725 thousand) - (2016 – R\$1.6 million – US\$483 thousand), which will be recognized as activities are completed.

In 2017, GEF Agency projects received R\$4.9 million, equivalent to US\$1.5 thousand.

**14. Fundo de Recursos FUNBIO (“FRF”) – Net assets**

The purpose of Fundo de Recursos FUNBIO (FRF) is to supplement the Entity’s cash funds, 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 2017, by definition of the Management and approval of the Finance and Audit Committee the amount of R\$800 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.

	12/31/2017	12/31/2016
<b>Balance at January 1</b>	<b>20,585</b>	<b>17,245</b>
Allocation of surplus from finance income (*)	2,441	2,340
Allocation of surplus for the year (**)	800	1,000
<b>Balance at December 31</b>	<b>23,826</b>	<b>20,585</b>

(\*) Allocation of surplus for the year in the proportion of finance income from the FRF (net of provision for income tax and funds from the fund management), 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.

Project	12/31/2017	12/31/2016
FMA Agreement RJ	2,242	-
ARPA 2 <sup>nd</sup> Phase - GEF	1,314	1,705
ARPA 2 <sup>nd</sup> Phase - KfW	884	1,102
ARPA 3 <sup>rd</sup> Phase - IDB MSC	362	282
ARPA 3 <sup>rd</sup> Phase - IDB SCI	2,060	1,609
ARPA 3 <sup>rd</sup> Phase - Transition Fund	2,060	880
RedLac Assembly	80	-
Conjus Empowerment	-	19
Fauna Portfolio - Sirênios	-	38
Chevron - Support Federal Coastal and Est CU's - RJ - Phase I	45	497
Chevron - Support Federal Coastal and Est CU's - RJ - Phase II	9	-
Chevron - Porpoise Conservation	125	108
Chevron - CRAS implementation	59	152
Chevron - Marine and Fishing Research	213	966
Chevron - Environmental Education Project - Phase I	29	408
Chevron - Environmental Education Project - Phase II	4	-
Federal Amazon Compensation - CAF	474	-
FMA - SEA Agreement	-	3,743
Bio-Guiné Foundation	43	11
Kayapó	114	106
Paiter Suruí Fund	-	167
FUNJUS	-	74
GEF Mangrove - PNUD	-	178
GEF Sea	676	1,003
GEF Nutrition - BIODIVERSITY	66	131
GEF Pollinators	-	13
SVA Innovation	-	68
SVA Innovation - 2 <sup>nd</sup> Phase	303	-
Atlantic Forest III	2	-
PSA Matrix	-	67
MOORE - Funbio 15 years	29	-
Moore Sustainability	251	725
ARPA New Sources	28	-
Probio II - MMA balance	77	-
Probio/Opportunities Fund	539	877
BIOFUND Mozambique Project	140	-
Project K	228	312
Promar	-	21
R20	16	38
RedLac Training	-	42
Rock in Rio - RIR	17	89
TAC Aerolave Caçapava	63	52
TFCA	-	92
Amazonas Conservation Units	19	-
Votorantim Probio	-	18
<b>Total</b>	<b>12,571</b>	<b>15,593</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	12/31/2017	12/31/2016
TFCA	156	70
Fauna Portfolio - Ararinha Azul	-	202
Fauna Fund Portfolio	1	2
Chevron - Marine and Fishing Research	1,289	-
Chevron - Porpoise Conservation	932	-
Chevron - Environmental Education Project Phase I	445	-
Chevron - CRAS Implementation Phase I	152	-
Chevron - Support to Federal Coastal and Est CU's - RJ Phase I	415	-
Chevron - Environmental Education Project Phase II	304	-
Chevron - Support to Federal Coastal and Est CU's - RJ Phase II	605	-
Atlantic Forest III	581	-
GEF Nutrition	40	-
Rock in Rio - RIR	227	-
<b>Total</b>	<b>5,147</b>	<b>274</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	12/31/2017	12/31/2016
FVA - Fundação Vitória Amazônica	-	72
GDF - SUEZ Energy Latin America Partic. Ltda.	-	40
<b>Total</b>	<b>-</b>	<b>112</b>

## 18. Finance income (costs)

	12/31/2017	12/31/2016
<b>Finance income</b>		
Interest income	6	-
Exchange gains	5	81
Income from short-term investments	3,247	2,505
<b>Total finance income</b>	<b>3,258</b>	<b>2,586</b>
<b>Finance costs</b>		
Exchange losses	(8)	(97)
Banking fees	(644)	(24)
<b>Total finance costs</b>	<b>(652)</b>	<b>(121)</b>
<b>Finance income (costs), net</b>	<b>2,606</b>	<b>2,465</b>

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

The Entity is a party to lawsuits and administrative proceedings before various courts and governmental bodies, arising in the normal course of business, involving labor, tax and civil matters. Based on information from its legal counsel and analysis of pending litigation, the Entity's Management recognizes provisions only for lawsuits assessed as probable loss.

As at December 31, 2017 and 2016, there are no contingencies classified as probable loss.

As at December 31, 2017 and 2016, the Entity has the following lawsuits assessed by the legal counsel as possible loss:

	12/31/2017	12/31/2016
<b>Nature:</b>		
Civil (*)	1,000	1,000
<b>Total</b>	<b>1,000</b>	<b>1,000</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 / RJ was 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 FUNBIO, facilitated by the State Environmental Institute (INEA), aiming at the operation, maintenance and control of the mechanism, which remained effective until 2015. Currently, the Project is supported by Cooperation Agreement No. 04/2016, entered into between Fundo Brasileiro para a Biodiversidade - FUNBIO and the State Environment Secretariat - SEA and State Environment Institute - INEA.

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). FUNBIO was awarded a favorable decision in the lower court and an unfavorable in the higher court. An appeal was filed and has been examined by the Superior Court of Justice (STJ) and the Federal Supreme Court (STF). 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 12/31/2017, 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\$398, as shown below:

<b>Project</b>	<b>R\$ thousand</b>
ARPA IDB SCI <sup>1)</sup>	356
FMA <sup>2)</sup>	2
Amapá Fund <sup>3)</sup>	37
GEF ARPA <sup>4)</sup>	11
GEF MAR <sup>5)</sup>	1
GEF Nutrition <sup>6)</sup>	(4)
KfW <sup>7)</sup>	(22)
Project K <sup>8)</sup>	17
	<b>398</b>

These entries refer to the following:

- 1) Adjustment to account balance (provision) for purposes of ARPA IDB accounting.
- 2) Regularization of ISS overpayment made on October 10, 2015.
- 3) Exchange rate changes relating to transfers of funds from Funbio NY checking account No. 06340 to Itaú Miami checking account No. 6088320 on 09/27/2016 to project Amapá Fund.
- 4) Corrective entry of 2016 accountability related to project ARPA GEF.
- 5) Refund of unidentified per diem in project GEF MAR.
- 6) Adjustment to account balance (provision) for purposes of GEF Nutrition accounting.
- 7) Adjustment to account balance (provision) for purposes of 2016 ARPA KfW accounting.
- 8) Prior years exchange rate changes on bank accounts Frankfurt and NY, for Project K.

## 21. Insurance

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, 2017, the Entity presented the following main insurance policies purchased from third parties:

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

**22. Events after the reporting period**

On September 14, 2017, Funbio signed agreement BMZ No. 2016 69 084 with KfW, in the amount of 17 million euros and, on December 4, 2017, a new agreement, also with KfW, in the amount of 23 million sterling pounds, delegated by the United Kingdom Secretariat of Businesses, Energy and Industrial Strategy (BEIS), for the execution of Project REDD Early Movers (REM) Mato Grosso – Payments based on results REDD. The signature of these adjustments does not imply any adjustments to the financial statements, since the contractual amounts will only be received in 2018, will be used over the next five years and reinforce the continuity principle.

**23. Explanation added to the translation for the English version**

The accompanying financial statements were translated into English from the original Portuguese version prepared for local purposes. Certain accounting practices applied by the Entity that conform to those accounting practices adopted in Brazil may not conform to the generally accepted accounting principles in the countries where these financial statements may be used.

\* \* \* \*

Rosa Maria Lemos de Sá  
General Secretary

Aylton Coelho Neto  
Planning and Management Superintendent

**Technical Professional in charge**

Daniele Soares dos Santos Seixas  
Accountant CRC-RJ - 095.266/0-0

