

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

From January 1 to December 31, 2022
with Independent Auditor's Report on Financial Information on the
Amazon Region Protected Areas (ARPA) Program

Fundo Brasileiro para a Biodiversidade - FUNBIO

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

From January 1 to December 31, 2022

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A free translation from Portuguese into English of Independent Auditor's Report on the financial information prepared in Brazilian currency in accordance with the contracts entered into by and between the parties, and the cash receipt and disbursement basis of accounting described in Note 2

Independent Auditor's Report on Financial Information on the Amazon Region Protected Areas (ARPA) Program

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

Opinion

We have audited the financial information on the Amazon Region Protected Areas (ARPA) Program ("Project or "ARPA"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO ("Entity"), financed with funds from various institutes and entities ("Donor"), as described in Note 1, for the period from January 1 to December 31, 2022, and notes to the financial information, including a summary of significant accounting policies.

In our opinion, the accompanying Project' Financial Information for the period from January 1 to December 31, 2022 was prepared, in all material respects, in accordance with the contracts entered into by and between the parties, and the cash receipt and disbursement basis of accounting described in Note 2.

Basis for opinion

We conducted our audit in accordance with the Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the Entity and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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

We draw attention to Note 2 to the financial information, which describes the accounting basis of this financial information, prepared to assist the Entity in complying with the clauses for preparing the financial reports of the aforementioned contract. As such, the financial information may not serve any other purposes. Our report is intended solely for use and information by the Entity's Board of Directors and Project funders, and should not be distributed or used by other parties. Our opinion is not modified in respect of this matter.

Responsibilities of the executive board and those charged with governance for the financial information

The executive board is responsible for the preparation of the financial information in accordance with the agreements entered into between the parties and the cash receipt and disbursement basis of accounting described in Note 2, and for such internal control as the executive board determines is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial information.

As part of an audit in accordance with the Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed risks of material misstatements of the financial information, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the executive board.
- Concluded on the appropriateness of the executive board'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 substantial doubt as to the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Project to cease to continue as a going concern.

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 identified during our audit.

Rio de Janeiro, May 31, 2023.

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


Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC-RJ091370//O

A free translation from Portuguese into English of the Financial Information prepared in Brazilian currency in accordance with the contracts entered into by and between the parties, and the cash receipt and disbursement basis of accounting described in Note 2

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on the Amazon Region Protected Areas (ARPA) Program
From January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

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

	Note	2022	2021	Accumulate amount (**)
Project balance at beginning of period		888,995	769,944	-
Funds received		-	-	390,098
Total finance income (costs) on investments (*)	3	(129,564)	100,142	287,893
Finance costs	3	-	(88)	-
Foreign exchange differences	3	(49,292)	49,997	238,808
Internal transfers	4	(54,560)	(31,000)	(261,220)
Project balance at end of period	3	655,579	888,995	655,579

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

(**) The accumulated amount refers to the period from October 1, 2010 to December 31, 2022.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial Information on the Amazon Region Protected Areas (ARPA) Program
From January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

Changes in funds of the Amazon Region Protected Areas (ARPA) Program -
Transition Fund, in the period from January 1 to December 31, 2022 and 2021 are as
follows:

	Note	2022	2021	Accumulate amount (**)
Project balance at beginning of period		2,056	5,807	-
Total finance income (costs) on investments (*)	3	352	150	938
Finance costs	3	(354)	(115)	(352)
Funds executed	5	(53,526)	(35,092)	(258,628)
Internal transfers	4	54,560	31,000	261,220
Advance		(81)	228	(249)
Other adjustments		(73)	78	5
Project balance at end of period	3	2,934	2,056	2,934

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

(**) The accumulated amount refers to the period from October 1, 2010 to December 31, 2022.

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on Project ARPA
Period from January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

1. Operations

Fundo Brasileiro Para a Biodiversidade (FUNBIO) is a Brazilian private not-for-profit entity that operates in partnership with the government and business sectors as well as the civil society so that strategic and financial resources are earmarked for effective biodiversity conservation initiatives. The Entity's head office is located at Rua Voluntários da Pátria, nº 286, 5th and 6th floors, Botafogo, Rio de Janeiro - RJ, with establishment in the city of Brasília, Federal District, at SHN Quadra 2, Bloco F, Executive Office Tower, suite 1323 to 1326, Asa Norte.

The main activities include financial management of projects and funds, design of financial mechanisms and studies of new sources of funds for conservation, as well as procurement and engagement of goods and services. Funbio is accredited as an implementing agency for GEF - Global Environment Facility and for GCF - Green Climate Fund.

ARPA program is the largest tropical forest protection initiative in the world. The Transition Fund (FT) emerged from Arpa for Life initiative, marking the beginning of the Arpa Program Phase III. The Transition Fund is an extinguishable fund designed and developed as an alternative for the consolidation of Protected Areas supported by the ARPA Program, through investments of donations from international cooperation, private donations and government funds represented by non-financial consideration.

FUNBIO is the program's financial manager, and conducts the procurement and engagement activities for the Protected Areas, and the Fund's asset management, which ensures the program's sustainability in the long term. The Transition Fund incorporated funds from the Amazon Region Protected Areas Fund ("FAP"), organized in the program's first phase.

Donors

The resources donated to the Transition Fund, administered by FUNBIO through Asset Managers Pragma Patrimônio and Julius Bär, included funds from the Amazon Region Protected Areas Fund ("FAP"), as well as donations from WWF - World Wide Fund for Nature and MAC Foundation through WWF Brazil, Anglo American Minério de Ferro Brasil S.A., Ministry of Economic Cooperation and Development of Germany (BMZ), entered into with Kfw - Entwicklungsbank (German Development Bank), and from Global Environment Facility through World Bank.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on Project ARPA (Continued)
Period from January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

2. Significant accounting practices

Basis of preparation and general information

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

The financial information is presented in Brazilian reais (R\$), which is the Entity's functional currency. All financial information presented in thousands of reais was rounded to the nearest thousand, unless otherwise stated.

This financial information was approved for issue by the Entity's executive board on May 31, 2023.

3. Funds available

From January 1 to December 31, 2022, the balance remaining in the checking account is as follows:

ARPA Transition Fund - Operational

<u>Description</u>	<u>Type</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Banco do Brasil - 23.802-3	Conta corrente	3	5
Banco do Brasil - 23.802-3	Financial investment	2,931	2,051
		<u>2,934</u>	<u>2,056</u>

In the period from January 1 to December 31, 2022, net financial investment yield totaled R\$352 (R\$150 in 2021) and finance costs amounted to R\$354 (R\$115 in 2021).

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

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on Project ARPA (Continued)
 Period from January 1 to December 31, 2022
 (In thousands of reais, unless otherwise stated)

3. Funds available (Continued)

ARPA Transition Fund

From January 1 to December 31, 2022, the balance remaining in the Fund's checking account is as follows:

Description	Type	12/31/2022	12/31/2021
Itaú PVT – 13564-3	Checking account	3	-
Itaú Pragma - Sumauma 88475-0	Financial investment	98,665	93,111
Itaú Private - EFFICAX 13564-3	Financial investment	29,003	33,231
Itaú Pragma – HONOR MASTER 88475-0	Financial investment	8,341	9,692
Itaú Pragma – LIBER 88475-0	Financial investment	7,927	-
Julius Bär - 0600.6868	Financial investment	511,640	752,961
		655,579	888,995

In the period from January 1 to December 31, 2022, net financial investment cost totaled R\$129,564 (R\$100,142 in 2021), no finance costs were recorded (R\$88 in 2021), and foreign exchange losses totaled R\$49,292 (R\$49,997 in 2021).

The investments of the Transition Fund, managed by FUNBIO, through Pragma Patrimônio and Julius Bär, are diversified short- and long-term investments, from 1 to 8 years, with liquidity ranging from D+1 to D+180 days. These funds are invested in Government Securities - National Treasury Notes (NTN-Bs), local and international variable income, equities, hedge funds, low vol fixed income, and fixed income/inflation-indexed securities.

4. Internal transfers of funds in the period

Total internal transfers between projects in the period from January 1 to December 31, 2022 were as follows:

	2022	Date of internal transfer in the Bank 2022
ARPA Transition Fund - Operational – 23.802-3	8,344	01/11/2022
ARPA Transition Fund - Operational – 23.802-3	7,222	03/24/2022
ARPA Transition Fund - Operational – 23.802-3	7,133	06/01/2022
ARPA Transition Fund - Operational – 23.802-3	8,049	07/15/2022
ARPA Transition Fund - Operational – 23.802-3	7,731	09/13/2022
ARPA Transition Fund - Operational – 23.802-3	7,906	10/18/2022
ARPA Transition Fund - Operational – 23.802-3	8,175	11/17/2022
Total internal transfers ARPA Transition Fund - Operational	54,560	
ARPA Transition Fund - Julius Baer - 0600.6868	(8,344)	01/11/2022
ARPA Transition Fund - Julius Baer - 0600.6868	(7,222)	03/24/2022
ARPA Transition Fund - Julius Baer - 0600.6868	(7,133)	06/01/2022
ARPA Transition Fund - Julius Baer - 0600.6868	(8,049)	07/15/2022
ARPA Transition Fund - Julius Baer - 0600.6868	(7,731)	09/13/2022
ARPA Transition Fund - Julius Baer - 0600.6868	(7,906)	10/18/2022
ARPA Transition Fund - Julius Baer - 0600.6868	(8,175)	11/17/2022
Total internal transfers ARPA Transition Fund	(54,560)	

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information on Project ARPA (Continued)
 Period from January 1 to December 31, 2022
 (In thousands of reais, unless otherwise stated)

5. Execution of funds

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

Framework	2022	2021	Accumulated (*)
Audit or Protected Areas	347	161	639
Coordination	1,001	497	4,022
Creation of Protected Areas - Public Hearings	(1)	246	460
Creation of Protected Areas - Environmental Diagnosis	301	23	1,283
Creation of Protected Areas - Land Diagnosis	4	101	373
Creation of Protected Areas - Social and Economic Diagnosis	437	54	1385
Demarcations	244	214	1,583
Equipment	9,593	4,886	47,068
Formation of the Board	47	4	201
Operation of the Board	4,406	2,707	22,023
Contingency Fund	(4)	51	162
Fund Manager	4,487	4,732	30,373
ICMBio Headquarter - Territorial Consolidation	166	12	262
ICMBio Headquarter - PF Coordination	429	22	554
ICMBio Headquarter - Social and Environmental Management	143	12	197
ICMBio Headquarter - Biodiversity Monitoring	215	78	1,902
ICMBio Headquarter - Protection	103	153	866
Minimum facilities	1,483	965	8,379
Land Survey	219	158	596
Biodiversity Monitoring	4,567	4,022	25,146
Operation	9,923	5,297	35,708
Survey	396	477	3,020
Handling Plan - Preparation	1,005	616	7,987
Handling Plan - Review	981	395	3,670
Protection	11,947	8,520	55,524
Signaling	796	539	4,126
TdC and CCDRU	291	139	1,108
Other	-	11	11
Grand total	53,526	35,092	258,628

(*) The accumulated amount refers to the period from October 1, 2010 to December 31, 2022.



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

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

We have audited the financial information for the period from January 1 to December 31, 2022 on the Amazon Region Protected Areas (ARPA) Program (the “Project” or “ARPA”), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the “Entity”), funded with funds from various institutes and entities (the “Donors”), and issued our report thereon dated May 31, 2023.

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

We conducted our audit in accordance with the International Standards on Auditing and the requirements set out in the financial contribution agreement with various sponsors. These standards require that we plan and conduct the audit in order to obtain reasonable assurance that FUNBIO has complied with the clauses set out in the financial contribution agreement with various sponsors. The audit includes review, on a test basis, of the evidence deemed appropriate by us. Accordingly, we believe that our audit provides a reasonable basis for our opinion.

In our opinion, in the period from January 1 to December 31, 2022, FUNBIO complied, in all material respects, with the applicable contractual provisions, of an accounting and financial nature, of the financial contribution agreement entered into with various sponsors.

Rio de Janeiro, May 31, 2023.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
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Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC-RJ091370/O



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

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

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

The executive board of Fundo Brasileiro para a Biodiversidade - FUNBIO, manager of the Projects, is responsible for maintaining an internal control structure sufficient to mitigate the risks of material misstatement in the financial information and protect the assets under custody of the Project, including the areas constructed and other assets acquired. In order to fulfill this responsibility, the executive board is required to make judgments and estimates to evaluate the expected benefits and costs of the internal control policies and procedures. The objectives of an internal control system are to provide the executive board with reasonable, but not absolute, assurance that assets are protected against losses arising from unauthorized use or disposals, that transactions are carried out in accordance with the executive board’s authorizations and agreement terms, and that they are properly recorded to allow the preparation of reliable financial information. Due to the limitations inherent in any internal control system, errors or irregularities may occur and remain undetected. In addition, the projections of any assessment of the structure of future periods are subject to the risk that the procedures could prove inadequate due to changes in conditions, or that the effectiveness of the design and operation of the policies and procedures could deteriorate.

In planning and conducting our audit of the financial information on the Project for the period from January 1 to December 31, 2022, we obtained an understanding of the internal control structure and assessed the risk of control to determine our audit procedures, in order to express an opinion on the financial information on the Project, but not to issue an opinion on the effectiveness of the internal control structure.

Our audit of the Project for the period from January 1 to December 31, 2022 revealed no significant deficiencies in the design or operation of internal controls that, in our opinion, could significantly affect FUNBIO’s ability to record, process, summarize and report financial information consistently with the executive board’s representations in the financial information of funds received, disbursements made, and accumulated investments.



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

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

Rio de Janeiro, May 31, 2023.

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

A handwritten signature in blue ink, reading 'Beatriz Gonçalves de Moraes Nicolaci', is written over the printed name.

Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC-RJ091370/O