

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

From January 1 to December 31, 2022
with the independent auditor's report on the financial information of
GCF Agency

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information of GCF Agency

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 the financial information of GCF Agency

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

Opinion

We have audited the financial information on Green Climate Fund (GCF) Agency (jointly referred to as "Projects"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Entity"), funded with resources from the United Nations Office for Project Services (UNOPS), for the period from January 1 to December 31, 2022, including a summary of significant accounting policies and other explanatory information.

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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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



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

Changes in funds of GCF Agency in the period from January 1 to December 31, 2022 are as follows:

	Note	GCF Agency - Readiness Project	GCF Agency - Readiness Project AND	Total GCF Agency
Project balance at beginning of period	3	1,080	-	1,080
Cash inflows	5	-	666	666
Execution of projects	4	(16)	(1)	(17)
Financial investment yields, net (*)	3	110	18	128
Finance costs	3	-	(3)	(3)
FUNBIO transfer (allocation)	4	(7)	(11)	(18)
Project balance at end of period	3	1,167	669	1,836

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

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information of GCF Agency (Continued)
From January 1 to December 31, 2022
(In thousands of reais, unless otherwise stated)

Changes in funds of GCF Agency in the period from January 1 to December 31, 2021 are as follows:

	<u>Note</u>	<u>GCF Agency - Readiness Project</u>
Project balance at beginning of period	3	1,173
Execution of projects	4	(15)
Financial investment yields, net (*)	3	39
FUNBIO transfer (allocation)	4	(117)
Project balance at end of period	3	<u><u>1,080</u></u>

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

See accompanying notes.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of GCF Agency
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.

The purpose of Green Climate Fund (GCF) is to support developing countries to implement actions to adapt and mitigate global climate changes. The Fund works with entities that go through an accreditation process. These entities must follow the GCF policies and procedures.

The project "Strengthening Brazilian DAEs and executors for the implementation and execution of GCF projects" aims to support all three national entities accredited by the GCF to improve their ability to operate with this fund. The improvement opportunities addressed by this project are issues related to environmental and social safeguards, gender issues and project monitoring.

The Readiness AND Project is a project approved by the GCF in 2022 that aims to strengthen the Designated National Authority for the GCF in the Ministry of Economy. The planned actions include the definition of protocols for receiving projects, monitoring and definition of a Brazilian strategy for accessing climate funds.

Readiness PC is a credit facility from the Green Climate Fund (GCF) that makes donations to the signatory countries of the United Nations Framework Convention on Climate Change (UNFCCC) and is managed by Fundo Brasileiro para a Biodiversidade (FUNBIO), funded by means of the agreement entered into with the United Nations Office for Project Services (UNOPS).

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to the financial information of GCF Agency (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 Projects 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 management on May 31, 2023.

3. Funds available

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

GCF Agency - Readiness

<u>Description</u>	<u>Type</u>	<u>2022</u>	<u>2021</u>
Banco do Brasil - C/Aplic CDB - 25432-0	Automatic investment	<u>1,167</u>	<u>1,080</u>

In the period from January 1 to December 31, 2022, net financial investment yield totaled R\$110 (R\$39 in 2021).

GCF Agency - Readiness AND

<u>Description</u>	<u>Type</u>	<u>2022</u>	<u>2021</u>
Banco do Brasil - C/Aplic CDB - 26995-6	Automatic investment	<u>669</u>	<u>-</u>

In the period from January 1 to December 31, 2022, net financial investment yield totaled R\$18 and finance costs amounted to R\$3.

Fundo Brasileiro para a Biodiversidade - FUNBIO

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

3. Funds available (Continued)

Financial investments in Bank Deposit Certificates (CDBs) are represented by securities that guarantee yields of 96% of the CDI variation, with a redemption period of up to 60 months and insignificant risk of reduction in value. Investments are held with first-tier financial institutions.

4. Execution of funds

The execution of funds of GCF Agency in the period from January 1 to December 31, 2022 is as follows:

GCF Agency - Readiness

Description	2022	2021
Execution of projects	16	15
FUNBIO transfers (allocation) (*)	7	117
Total funds executed	23	132

(*) This amount refers to the transfer made by the Project to Funbio to cover indirect costs according to the limit percentage and types of expenses agreed upon in the contract with the donor.

GCF Agency - Readiness AND

Description	2022	2021
Execution of projects	1	-
FUNBIO transfers (allocation) (*)	11	-
Total funds executed	12	-

(*) This amount refers to the transfer made by the Project to Funbio to cover indirect costs according to the limit percentage and types of expenses agreed upon in the contract with the donor.

5. Cash inflow - GCF Agency

The total funds contributed in the period from January 1 to December 31, 2022 were as follows:

Project	2022	2021	Accumulated (*)
GCF Agency - Readiness (c/c 26995-6)	-	-	1,346
GCF Agency - Readiness AND (c/c 26995-6)	666	-	666
Total inflows	666	-	2,012

(*) The accumulated amount refers to the period from March 31, 2020 to December 31, 2022.



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Independent auditor's report on compliance with the accounting and financial contractual provisions of GCF Agency

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

We have audited the financial information for the period from January 1 to December 31, 2022 of Green Climate Fund (GCF) ("Projects" or "Agency"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO (the "Entity"), financed with funds from the financial contribution agreement with United Nations Office for Project Services (UNOPS), 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 GCF Agency 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 between the Entity and the United Nations Office for Project Services (UNOPS). 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 between the Entity and the United Nations Office for Project Services (UNOPS). The audit includes review, on a sample 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 between the Entity and the United Nations Office for Project Services (UNOPS).

Rio de Janeiro, May 31, 2023.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
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Independent auditor’s report on the internal control structure of GCF Agency

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

This report supplements our report on the financial information of Green Climate Fund (GCF) (“Project” or “Agency”).

The executive board of Fundo Brasileiro para a Biodiversidade - FUNBIO, manager of the Green Climate Fund (GCF) Agency, 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 on 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
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Beatriz Gonçalves de Moraes Nicolaci
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