

Financial Information

Fundo Brasileiro para a Biodiversidade - FUNBIO

July 1, 2022 to June 30, 2023
with Independent Auditor's Report on the financial information of
Project "REDD Early Movers do Mato Grosso"

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information of Project “REDD Early Movers do Mato Grosso”

July 1, 2022 to June 30, 2023

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

Independent auditor's report on the financial information of Project "REDD Early Movers do Mato Grosso"

To the
Executive Office and the Board of Directors of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project REDD Early Movers do Mato Grosso
Rio de Janeiro - RJ

Opinion

We have audited the financial information of Project "REDD Early Movers do Mato Grosso" ("Project or "REM"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO ("Entity"), financed by the German Government, through the German Development Bank (KfW), and by the Government of the United Kingdom, through the Department for Business, Energy & Industrial Strategy (BEIS), for the period from July 1, 2022 to June 30, 2023, and notes to the financial information, including a summary of significant accounting policies.

In our opinion, the accompanying financial information of the Project for the period from July 1, 2022 to June 30, 2023 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 "Auditor's responsibilities for the audit of the financial information" 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 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 basis of accounting of this financial information, prepared to assist the Entity in complying with the provisions for preparation of the financial reports of the aforementioned agreement. 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 are responsible for overseeing the financial information preparation process.

Auditor's responsibilities for the audit of the financial information

Our objectives are to obtain reasonable assurance about whether the financial information as a whole is free 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 identify during our audit.

Rio de Janeiro, August 11, 2023.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/F

A handwritten signature in blue ink, reading 'Beatriz Gonçalves de Moraes Nicolaci'.

Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC RJ-091370/O

Fundo Brasileiro para a Biodiversidade - FUNBIO

Financial information of Project "REDD Early Movers do Mato Grosso"

Period from July 1, 2022 to June 30, 2023

(In thousands of reais, unless otherwise stated)

Changes in the funds of Project "REDD Early Movers do Mato Grosso" in the period from July 1, 2022 to June 30, 2023 are as follows:

	Note	06/30/2023	06/30/2022
Project balance at beginning of period		137,821	102,854
Cash inflows		-	67,914
Short-term investment income (*)	3	12,940	10,821
Finance costs		(17)	(281)
Funds executed	4	(55,724)	(43,444)
Other adjustments		71	(43)
Project balance at end of period	3	95,091	137,821

(*) 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 financial information of Project “REDD Early Movers do Mato Grosso”

Period from July 1, 2022 to June 30, 2023

(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.

This Project consists of remuneration on results (ex-post) of reductions in greenhouse gases emissions from deforestation. The main purpose of the Project is to significantly reduce the emissions from deforestation and environmental degradation in the state of Mato Grosso and in Brazil. The funds for the Program are provided by the German Government, under agreement BMZ 2016 69 084 through the German Development Bank (KfW), and under agreement BMZ 3020 00 180 through the Government of the United Kingdom, by means of the Department for Business, Energy & Industrial Strategy (BEIS).

2. Significant accounting practices

Basis of preparation and general information

The Project’s financial information was prepared on a cash receipt and disbursement basis of accounting, whereby revenues are recognized upon receipt of funds (resources) and expenses are recorded 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.

This 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.

The Project’s financial information was approved for issue by Funbio’s executive board on August 11, 2023.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “REDD Early Movers do Mato Grosso” (Continued)

Period from July 1, 2022 to June 30, 2023

(In thousands of reais, unless otherwise stated)

3. Funds available

From July 1, 2022 to June 30, 2023, the remaining checking account balance is broken down as follows:

Description	Type	06/30/2023	06/30/2022
Banco do Brasil - 24486-4	Checking account	3	-
Banco do Brasil - RF LP Corporate 24486-4	Financial investment	95,088	137,821
		95,091	137,821

In the period from July 1, 2022 to June 30, 2023, net short-term investment income totaled R\$12,940 (R\$10,821 at June 30, 2022).

Funds are invested in Fundo Renda Fixa LP Corporate, bearing interest at 98.98% of the Interbank Deposit Certificate (CDI), with no redemption period and subject to insignificant risk of decrease in value. Investments are held with first-tier financial institutions.

4. Funds executed

Funds executed of Project “REDD Early Movers do Mato Grosso (REM)” in the periods from July 1, 2022 to June 30, 2023 and July 1, 2021 to June 30, 2022 are as follows:

	06/30/2023	06/30/2022	Accumulated (*)
Family farming and traditional peoples and communities in the Amazon, Cerrado (Brazilian Savanna) and Pantanal	21,342	11,252	49,691
Indigenous peoples	9,894	6143	19,515
Sustainable production, innovation and markets	4,714	5530	15,634
Institutional strengthening and structuring public policies	19,774	20,519	82,810
Total	55,724	43,444	167,650

(*) The accumulated amount refers to the period from March 29, 2019 to June 30, 2023.

Fundo Brasileiro para a Biodiversidade - FUNBIO

Notes to financial information of Project “REDD Early Movers do Mato Grosso” (Continued)

Period from July 1, 2022 to June 30, 2023

(In thousands of reais, unless otherwise stated)

5. Service agreements

From July 1, 2022 to June 30, 2023, the following service agreements were entered into in Brazilian reais:

CEDOC Contract No.	Status	Supplier	Beginning date (Original)	End date (Original)	Valor em reais
120/2022	IN EFFECT	RAMTEC SERVICOS DE INFORMATICA LTDA.	07/13/2022	09/06/2023	R\$ 547,340.00
122/2022	CANCELED	EXPANSAO TRANSPORTES	07/12/2022	10/12/2023	R\$ 200,000.00
124/2022	IN EFFECT	Eliana Beatriz Nunes Rondon Lima	07/20/2022	03/17/2023	R\$ 31,881.98
132/2022	COMPLETION PROCESS	Instituto Florestal Tropical (IFT)	07/28/2022	01/28/2023	R\$ 371,825.00
136/2022	IN EFFECT	Fundação de Apoio à Pesquisa - FUNAPE	08/03/2022	08/28/2023	R\$ 60,000.00
138/2022	IN EFFECT	J L MONSORES JUNIOR SERV SOCIOAMB	08/09/2022	12/09/2023	R\$ 190,423.14
145/2022	IN EFFECT	Francco Antonio Neri de Souza e Lima	08/25/2022	04/25/2023	R\$ 61,200.00
163/2022	IN EFFECT	Carlos Teodoro José Hugueneý Irigaray	09/05/2022	05/05/2023	R\$ 40,000.00
187/2022	IN EFFECT	CONTAUD	10/14/2022	12/14/2023	R\$ 55,098.00
198/2022	IN EFFECT	RH BROKER SERVICOS EMPRESARIAIS LTDA	10/25/2022	12/31/2023	R\$ 2,596,224.91
200/2022	IN EFFECT	Instituto Centro de Vida - ICV	11/07/2022	07/05/2023	R\$ 239,080.85
202/2022	IN EFFECT	RESTAURAGRO	11/11/2022	11/11/2023	R\$ 650,000.00
245/2022	IN EFFECT	W5 CRIACAO E DESIGN LTDA	12/02/2022	04/02/2023	R\$ 20,090.00
246/2022	IN EFFECT	Instituto Centro de Vida - ICV	11/29/2022	01/13/2023	R\$ 602,210.00
003/2023	DISSOLUTION PROCESS	GAIA SOLUCOES AMBIENTAIS LTDA	01/23/2023	07/22/2023	R\$ 42,740.00
004/2023	COMPLETED	HQZ7 Technology	02/07/2023	05/07/2023	R\$ 803,702.00
005/2023	IN EFFECT	REMAR – Remando Junto com as Comunidades Tradicionais Ltda	02/07/2023	09/05/2023	R\$ 86,000.00
039/2023	IN EFFECT	Delmonte Roboredo	02/14/2023	10/14/2023	R\$ 61,200.00
049/2023	IN EFFECT	EBEC - Empr Brasi de Eng e Comércio S.A.	02/16/2023	03/16/2024	R\$ 2,081,142.97
050/2023	IN EFFECT	LS ASSESSORIA CONTABIL	02/24/2023	10/24/2023	R\$ 105,400.00
060/2023	IN EFFECT	Martins Soluções Ambientais Ltda	02/28/2023	10/28/2023	R\$ 65,199.96
065/2023	IN EFFECT	Instituto Floresta Tropical (IFT)	04/26/2023	03/11/2024	R\$ 1,366,288.29
090/2023	IN EFFECT	L F SERVIÇOS DE ARQUITETURA LTDA	04/18/2023	05/12/2024	R\$ 90,000.00
096/2023	IN EFFECT	TECNOMAPAS LTDA	06/06/2023	02/01/2024	R\$ 723,000.00
099/2023	IN EFFECT	AGÊNCIA NULO LTDA	05/02/2023	10/29/2023	R\$ 69,476.40
100/2023	IN EFFECT	AMAZÔNIA CONSULTORIA E SERVIÇOS	05/08/2023	11/04/2023	R\$ 117,660.00
103/2023	IN EFFECT	CIPEM	05/24/2023	10/21/2023	R\$ 94,200.00
106/2023	IN EFFECT	ORACULO COMUNICACAO, EDUCACAO E CULTURA LTDA	05/11/2023	09/11/2023	R\$ 27,000.00
107/2023	IN EFFECT	YURI CRUVINEL RIBEIRO 03072183171	05/11/2023	08/19/2023	R\$ 50,600.00
124/2023	IN EFFECT	Jéssica Melanya Sisti de Paiva	06/01/2023	03/37/2024	R\$ 105,082.17
291/2022	IN EFFECT	TNC - The Nature Conservancy	03/09/2023	02/02/2024	R\$ 948,380.48
					12,502,446.15



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Independent auditor's report on compliance with the accounting and financial contractual provisions of Project "REDD Early Movers do Mato Grosso"

To the
Executive Office and the Board of Directors of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project REDD Early Movers do Mato Grosso
Rio de Janeiro - RJ

We have audited the financial information of Project "REDD Early Movers do Mato Grosso" ("Project or "REM"), managed by Fundo Brasileiro para a Biodiversidade - FUNBIO ("Entity"), financed by the German Government, through the German Development Bank (KfW), and by the Government of the United Kingdom, through the Department for Business, Energy & Industrial Strategy (BEIS), for the period from July 1, 2022 to June 30, 2023, and issued a report dated August 11, 2023.

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

We conducted our audit in accordance with the International Standards on Auditing and the requirements of the agreement entered into between the Entity and the German Government, through the German Development Bank, and the Government of the United Kingdom, through the Department for Business, Energy & Industrial Strategy (BEIS). These standards require that we plan and conduct the audit in order to obtain reasonable certainty that FUNBIO has complied with the provisions under the agreement entered into with the German Government, through the German Development Bank, and with the Government of the United Kingdom, through Department for Business, Energy & Industrial Strategy (BEIS). 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 July 1, 2022 to June 30, 2023, FUNBIO has complied, in all significant respects, with the applicable contractual provisions, of an accounting and financial nature, of the agreement entered into with the German Government, through the German Development Bank, and with the Government of the United Kingdom, through Department for Business, Energy & Industrial Strategy (BEIS).

Rio de Janeiro, August 11, 2023.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/F

Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC RJ-091370/O

Independent auditor’s report on the internal control structure of Project “REDD Early Movers do Mato Grosso”

To the
Executive Office and the Board of Directors of
Fundo Brasileiro para a Biodiversidade - FUNBIO
Project REDD Early Movers do Mato Grosso
Rio de Janeiro - RJ

This report supplements our report on the financial information of Project “REDD Early Movers do Mato Grosso” (“REM” or “Project”).

The executive board of Fundo Brasileiro para a Biodiversidade - FUNBIO, manager of Project “REDD Early Movers do Mato Grosso”, 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 constructed areas and other acquired assets. 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 of the Project for the period from July 1, 2022 to June 30, 2023, we obtained an understanding of the internal control structure and assessed the control risk to determine our audit procedures, in order to express an opinion on the financial information of 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 July 1, 2022 to June 30, 2023 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, August 11, 2023.

ERNST & YOUNG
Auditores Independentes S/S Ltda.
CRC SP-015199/F

A handwritten signature in blue ink, reading 'Beatriz Gonçalves de Moraes Nicolaci', is written over a light blue horizontal line.

Beatriz Gonçalves de Moraes Nicolaci
Accountant CRC RJ-091370/O