(Convenience translation into English from the original previously issued in Portuguese)

# INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

## Independent auditor’s report

## Financial statements
## As at December 31, 2021

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

Financial statements
As at December 31, 2021

Contents

Tel.: +55 91 3241 1401
Fax: + 55 91 3223 9145
www.bdo.com.br

Rua Dom Romualdo de Seixas,
1476, 23º and Umarizal, Belém, PA
Brasil 66055-200

# INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Shareholders and Management of
Instituto do Homem e Meio Ambiente da Amazônia - IMAZON
Belém-PA

## Opinion on the financial statements

We have audited the financial statements of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON ("IMAZON" or "Institute"), which comprise the statement of financial position as at December 31, 2021 and the respective statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON as at December 31, 2021, its financial performance and its cash flows for the year then ended, in accordance with the Brazilian accounting practices applicable to a Non-Profit Entity.

## 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 Institute in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Council of Accounting (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of Management and those charges with governance for the financial statements

The Institute's Management is responsible for the preparation and proper presentation of these financial statements in accordance with Brazilian accounting practices, and for such internal controls 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 Institute's ability to continue as going concern, disclosing, as applicable, matters related to going concern using the going concern basis of accounting unless the Management either intends to liquidate the Institute or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements 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 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 (ISAs) 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 standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls 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 Institute's internal controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and 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 material uncertainty exists related to events or conditions that may cast significant doubt on the Institute'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 Institute 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 controls that we identify during our audit.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Belém, November 30, 2022.

BDO RCS Auditores Independentes SS
CRC 2 SP 015165/0-8 - S - PA

João Domingos da Rosa
Accountant CRC 1 SP 159332/O – T - PA

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

## Balance Sheets
For the period ended December 31, 2021 and 2020
(In thousand of reais)

| Assets | Note | 2021 | 2020 |
|---|---|---|---|
| Current | | | |
| Cash and cash equivalents | 4 | 15.023 | 9.169 |
| Advances paid | 5 | 585 | 376 |
| Receivables | | 313 | 252 |
| | | 15.921 | 9.797 |
| Non-current | | | |
| Property and equipment | 6 | 1.123 | 728 |
| Intangible assets | | 45 | - |
| | | 1.168 | 728 |
| Total assets | | 17.089 | 10.525 |

| Liabilities and equity | Note | 2021 | 2020 |
|---|---|---|---|
| Current | | | |
| Suppliers | | 82 | 24 |
| Social and labor obligations | | 474 | 391 |
| Tax liabilities | | 56 | 63 |
| Advances paid recebidos | | 101 | 101 |
| Obligations with project resources | 7 | 13.863 | 8.584 |
| | | 14.575 | 9.163 |
| Non-current | | | |
| Obligations with project resources | 6.b | 985 | 523 |
| | | 985 | 523 |
| Equity | | | |
| Social equity | 10 | 1.529 | 840 |
| | | 1.529 | 840 |
| Total Liabilities and equity | | 17.089 | 10.525 |

Management's explanatory notes form an integral part of the financial statements.

# INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

## Surplus statements
## For the period ended December 31, 2021 and 2020
## (In thousand of reais)

| | Note | 2021 | 2020 |
|---|---|---|---|
| Net income | | | |
| Unrestricted income | 11 | 2.747 | 2.660 |
| Restricted income | 11 | 16.528 | 10.941 |
| Total de Net income | | 19.275 | 13.601 |
| | | | |
| Operating costs | | | |
| Unrestricted costs | 12 | (56) | (591) |
| Restricted costs | 12 | (16.528) | (10.941) |
| Total de custos | | (16.584) | (11.532) |
| | | | |
| Gross surplus | | 2.691 | 2.069 |
| | | | |
| Administrative expenses | 13 | (1.908) | (1.360) |
| | | | |
| Surplus before Finance income (costs), net | | 783 | 709 |
| | | | |
| Financial income | 14 | 5 | 8 |
| Finance costs | 14 | (99) | (77) |
| Financial result, net | | (94) | (69) |
| | | | |
| Surplus for the year | | 689 | 640 |

Management's explanatory notes form an integral part of the financial statements.

# INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

## Comprehensive fiscal year surplus statements
For the period ended December 31, 2021 and 2020
(In thousand of reais)

| | 2021 | 2020 |
|---|---|---|
| Fiscal year surplus | 689 | 640 |
| Other comprehensive results | - | - |
| Total comprehensive fiscal year surplus | 689 | 640 |

Management's explanatory notes form an integral part of the financial statements.

# INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

## Statements of changes in equity
For the period ended December 31, 2021 and 2020
(In thousand of reais)

| | Social Equity | Accumulated Surplus | Total |
|---|---|---|---|
| Balances on December 31, 2019 | 199 | - | 199 |
| Fiscal year surplus | - | 640 | 640 |
| Incorporation of the surplus for the year | 640 | (640) | - |
| Balances on December 31, 2020 | 839 | - | 839 |
| Fiscal year surplus | - | 689 | 689 |
| Incorporation of the surplus for the year | 689 | (689) | - |
| Balances on December 31, 2021 | 1.529 | - | 1.529 |

Management's explanatory notes form an integral part of the financial statements.

# INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

## Statements of cash flows - indirect method
For the period ended December 31, 2021 and 2020
(In thousand of reais)

| | 2021 | 2020 |
|---|---|---|
| Cash flow from operating activities | | |
| Fiscal year surplus | 689 | 640 |
| Adjusted by: | | |
| Depreciation/Amortization of the period | 23 | 52 |
| | 712 | 692 |
| Variation in current and non-current assets and liabilities | | |
| Advances paid | (209) | 331 |
| Receivables | (61) | (251) |
| Suppliers | 58 | (29) |
| Social and labor obligations | 84 | (16) |
| Tax obligations | (7) | 9 |
| Obligations with project resources | 5.279 | 1.142 |
| Net cash flow applied to operating activities | 5.854 | 1.878 |
| Cash flow from investing activities | | |
| Acquisition of assets Property and equipment | - | (48) |
| Net cash flow from investing activities | - | (48) |
| Net cash flow from investing activities | 5.854 | 1.830 |
| Cash and cash equivalents at the beginning of the period | 9.169 | 7.339 |
| Cash and cash equivalents at the end of the period | 15.023 | 9.169 |
| Increase in Cash and cash equivalents | 5.854 | 1.830 |

Management's explanatory notes form an integral part of the financial statements.

## 1. General Information

The Instituto do Homem e Meio Ambiente da Amazônia - IMAZON (the "Institute" or "Entity") is a private-law, no-for-profit, civil society organization founded on July 10, 1990, with its principal offices at Travessa Dom Romualdo de Seixas, 1698, 11º floor, Umarizal, in the city of Belém, State of Pará, Brazil. The Institute's institutional mission is to promote sustainable development in the Amazon through research, support for policymaking dissemination of research findings and professional training. Its principal objectives are to:

- Conduct research on sustainable use of natural resources in the Amazon region;
- Contribute to the effective adoption of sustainable resource uses and improvement of living standards in the Amazon region; and
- Provide educational programs and training with a focus sustainable regional development.

The Institute is classified as a Public-Interest Civil Society Organization - OSCIP, — according to Law no. 9.790 dated on March 23, 1999. The Institute got the qualification certificate as OSCIP on March 3, 2006 issued by Brazil Justice Ministry, in accordance with ordinance no. 361 dated on July 27, 1999, and its activities are academic, cultural and scientific in nature and intended to promote the engagement of Brazilian civil society in achieving sustainable development and conservation.

The Institute's social programs are reliant on the following key factors: (i) obtaining funding for program delivery through donation agreements and long-term international cooperation agreements, and (ii) developing and managing long-term programs. Achievement of program objectives is therefore directly dependent on long-term technical, operational and financial planning and governance.

The funding obtained by the Institute supports both program delivery and strategic planning by Management. There are strategies in place for ongoing programs, which continued in 2021 and will continue over the coming years.

The program surplus or deficit is therefore not interpreted as affecting a program's financial feasibility, as all programs are implemented over the long-term and the Institute's strategic planning accounts for projected total funds and the timing and nature of expenditures.

To expand its activities, the Institute is currently reformulating its management approach to: (i) develop program-specific strategic plans covering a long-term horizon and not limited by individual financial years or periods, and (ii) improve program governance through a program of activities aimed at project requirements.

COVID-19 pandemic

At the end of the 2019, the World Health Organization (WHO) reported globally limited cases of contamination by an unknown virus at that time. Subsequently, in January 2021, the virus (Covid-19) was identified, and human-to-human transmission was found. In mid-March 2021, the WHO declared a pandemic alert for the new coronavirus, affecting the routine of the population and global economic activity.

The pandemic gave rise to Decree No. 06, of 03/20/2021, at the federal level, recognizing a national public concern. Other Decrees of similar content were approved in several Brazilian states, including Pernambuco, resulting in various measures to restrict activities and social isolation.

As a result of the pandemic scenario, the Institute adopted several measures to minimize the impacts brought by the Covid-19 pandemic on its operations, the main ones being:

- Implementation of improvements in cash flow management, allowing quick perception of changes, mainly resulting from specific defaults, for taking immediate corrective measures;
- Investments in IT to allow and provide security for teleworking (work from home), as well as to optimize internal processes; and
- Adoption of a procedure for monitoring the main economic and financial indicators periodically.

The Institute has also been acting prudently, with the main objective of preserving the health and safety of its employees. The measures adopted by Management, based on the guidelines of the World Health Organization and the Ministry of Health, mainly include:

- Provision of face masks for all employees and mandatory use on the Institute's premises; and
- Use of a telework regime (work from home) and a reduced number of employees in the office who opted for face-to-face work, reducing crowding levels;
- Measurement of temperature and oxygenation of all employees at the entrance to the Institute;
- Conducting meetings through videoconferencing applications and platforms to avoid crowds; and
- Adoption of an alcohol-based hand sanitizer dispenser in all of the Institute's premises.

At this time, it is not possible to accurately measure the extent and duration of the effects caused by COVID-19, given the expansion dynamics of the pandemic and its effect on all economic areas. However, the Institute's Management maintains continuous monitoring measures of its operations and the effects on its statements, including possible losses incurred on assets. For the financial statements for the year ended December 31, 2021, the Institute's Management did not identify significant impacts arising from this matter.

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

### a. Statement of compliance

The financial statements have been prepared in accordance with Brazilian generally accepted accounting principles, applicable to small and medium-sized entities (NBC TG 1000 (R1) Accounting for small and medium-sized entities) and in the provisions applicable to non-profit institutions, ITG 2002 (R1) – Non-Profit Entity, issued by the Federal Accounting Council (CFC).

The issuance of these financial statements (which include all the relevant information corresponding to that used managing the Entity) was approved by Management on December 31, 2021, considering the subsequent events occurred through that date.

Once the financial statements are issued, Only the Entity's Management has authority to change them. For details on the Institute's accounting policies, see Note 3.

All the relevant information specific to the financial statements, and only them, are being evidenced, and correspond to those used by Management in its management.

### b. Basis of measurement

The financial statements have been prepared on the historical cost basis, unless stated otherwise.

### c. Functional and presentation currency

The financial statements are presented in Brazilian Real, which is the Institute's functional and presentation currency. All balances presented in thousands of Brazilian Real have been rounded off to the nearest whole number, except where specified otherwise.

d. Use of judgments and estimates

The preparation of the financial statements in conformity with Brazilian generally accepted accounting principles, applicable to small and medium-sized entities, requires management to make judgments, estimates and assumptions that the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are revised on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

e. New and revised standards and interpretations not yet effective and which were not early adopted by the Institute

The Accounting Pronouncements Committee (CPC) issued new standards for large companies effective 2021. Some aspects of these standards, when included in Technical Pronouncement Accounting for Small and Medium-sized Entities (SMEs), may impact the Entity's financial statements. Management will evaluate the effects of the new standards as soon as they are issued.

3. Description of significant accounting policies

The main accounting policies used to prepare these financial statements are as follows. These policies have been Applied consistently to all the Years presented in theses financial statements.

a. Foreign-currency transactions and balances

Transactions in foreign currencies are translated to the Institute's functional currency at Exchange rates at the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are converted to functional currency at the Exchange rate calculated on that date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are reconverted to the functional currency at the exchange rate on the date that fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate on the date of transaction.

b. Financial instruments

(i) Non-derivative financial assets

The Institute initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date, which is the date that the Institute becomes a party to the contractual provisions of the instrument.

The Institute derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Institute has a legal right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

The Institute classifies non-derivative financial assets and liabilities as loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially measured at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses.

The Institute has the following non-derivative financial assets: cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term, investments maturing within three months or less as from the date they are procured, and which are subject to an insignificant risk of changes in value.

(ii) Non-derivative financial liabilities

The Institute initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities stated at fair value in profit or loss) are recognized initially on the trade date, which is the date that the Institute becomes a party to the contractual provisions of the instrument. The Institute derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Institute classifies its non-derivative financial liabilities under other financial liabilities. These financial liabilities are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

The Institute has the following non-derivative financial liabilities: accounts payable and program funding obligations.

(iii) Derivative financial assets and liabilities

The Institute did not use financial derivatives in the financial years ended December 31, 2021.

c. Property and equipment

(i) Recognition and measurement

The Institute's property and equipment includes items purchased under partnership agreements and intended exclusively for program delivery. These items are classified separately in noncurrent assets as "restricted assets".

Restricted assets are recognized upon acquisition, at which time a reducing line item is recorded against a line item reducing "Program funding obligations", in current liabilities. Simultaneously, the asset is recorded in property and equipment (restricted assets), with an offset against to "Program funding obligations", in noncurrent liabilities.

At the end of the program, the balance of restricted property and equipment is transferred to unrestricted property and equipment and the liabilities-reducing line item is derecognized against donation revenue, as the items of property have been historically donated to the Institute.

Items of property and equipment are measured at the historic cost of acquisition or construction, less accumulated depreciation and impairment, when applicable. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Cost includes expenses that are directly attributable to the purchase of an asset.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a component of property and equipment is recognized at the book value of the item if it is probable that the economic benefits attributed to the component will flow to the Institute and the cost can be reliably measured. The carrying amount of a component replaced by another is written off. Maintenance costs of property and equipment are expensed as and when incurred.

(iii) Depreciation

Depreciation is calculated on the depreciable amount, i.e. the cost of an asset or other equivalent cost, over the useful life of the item.

Depreciation of unrestricted assets is recognized in profit or loss using the straight-line method over the estimated useful life of each item of assets, as this method best reflects the consumption pattern of future economic benefits incorporated into the asset.

Depreciation of assets allocated exclusively to program delivery is recorded against a line item reducing property and equipment, with an offset against to “Program funding obligations”, in noncurrent liabilities, using the straight-line method over the estimated useful life of each item of property and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and any adjustments are recognized as a change to accounting estimates.

The estimated depreciation rates for property and equipment are as follow:

| | |
|---|---|
| Improvements and facilities | 2,5% |
| Vehicles | 10% |
| Machinery and equipment | 10% |
| Communication equipment | 10% |
| Computer equipment | 20% a 50% |
| Furniture and fixtures | 20% |

d. *Impairment*

(i) Non-derivative financial assets

The financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. The financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets have incurred impairment can include nonpayment or late payment by the debtor, restructuring of the amount owed to the Institute on terms that it would not normally accept in other transactions, signs that the debtor or issuer is going to enter bankruptcy proceedings or the disappearance of an active market for a security.

Management annually reviews the net book value of assets with the purpose of evaluating events or changes in economic, operational or technological circumstances that may indicate deterioration or loss of their recoverable value. If such evidence is identified and the net book value exceeds the recoverable amount, a provision for devaluation is recorded, adjusting the net book value to recoverable value.

(ii) Non-financial assets

The carrying amounts of the Institute's non-financial assets are reviewed at each reporting date for indications of impairment. If any such indication exists, then the asset's recoverable amount is determined. The recoverable value of an asset is the higher of the value in-use and fair value minus selling expenses. An impairment loss is recognized when the asset's carrying amount exceeds its estimated recoverable amount. Any impairment losses are recognized in profit or loss.

Management did not find any evidence of impairment in non-financial assets. It was not therefore necessary to estimate the recoverable value of non-financial assets.

e. Provisions

Provisions are recognized when the Institute has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation, and the value of such obligation can be reliably estimated. When the Entity expects that the amount of a provision will be reimbursed, whether wholly or partially (e.g. by virtue of an insurance agreement), the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. Expenses relating to any provision are recorded in the income statement, net of any reimbursements.

The provisions are determined by discounting expected future cash flows at a pretax rate that reflects current market valuations as to money value over time and risks specific for the related liability. The effects of the discount derecognition due to passage of time are recognized in surplus/deficit as finance cost.

Accrued liabilities arise from the legal obligation to record the employees' rights. For the accrual for vacation, the Institute calculate 1/12$^{th}$ plus 1/3$^{rd}$ of the employee's base pay each month until employees reach 12 consecutive months, when they are then entitled to take vacation days. For the 13$^{th}$ salary, the Institute calculates 1/12$^{th}$ of the employee's base pay each month, from January to December, when the 13$^{th}$ salary is paid. All employees are entitled to take a paid vacation period per year.

f. Employee benefits

Short-term employee benefit obligations are recognized as personnel expenditure as the respective service is provided. Liabilities are recognized by the amount of the expected payment if the Institute has a present legal or constructive obligation to pay this amount based on past service provided by the employee and the obligation can be estimated reliably.

The Institute does not provide long-term benefits to employees and members of management.

g. Program funds

Program funding obligations are recognized in "Program funding obligations" against "cash and cash equivalents" when funds are received, and derecognized when expenses are incurred and paid within the relevant programs, these being recognized on the accrual basis.

h. Recognition of income and expenses

Income and expenses are recognized on the accrual basis.

Receipt of funds: Funds received are recognized under current liabilities in future expenditure on program funding obligations.

Consumption as expense: When program expenditure is incurred, a debit is made to "Program funding obligations", in current liabilities, with an offset against to the liability relating to the supplier (for subsequent financial settlement). Simultaneously, restricted costs are recorded in surplus/deficit, with an offset against to restricted income.

Provision of services: Revenue from the provision of services is recognized in profit or loss according to the stage of completion at the reporting date. An assessment of realized costs is used to evaluate the stage of completion.

Management fee*:* Management fee revenue is recognized in profit or loss based on management expenses incurred, up to the limits established by program agreements.

Donations and grants received: Grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate, provided there is reasonable certainty that the Institute will perform all the respective conditions. Recognition of donations and government grants on a receipt basis would be acceptable only if no basis existed for allocating a grant over periods other than the one in which it was received.

(In thousands of reais)

i. Financial income and financial expenses

The financial income and expenses comprise:

- interest expenses and interest income;
- net gains / losses on financial assets measured at fair value through profit or loss; and
- net gains / losses from exchange variation on financial assets and liabilities.

Interest income and expense are recognized in the income statement using the effective interest method.

j. Taxation

The Institute is a Public-Interest Civil Society Organization and therefore is exempt from income and social contribution taxes on that income.

Nonprofit entities are entities which do not record a surplus in their accounts or which, in the event such a surplus is recorded in a given financial year, fully allocate this surplus to the furtherance of their mission (Act 9.532/97, article 15(3), as amended by Act 9.718/98, article 10).

The Institute is also entitled to PIS exemption on own revenue.

## 4. Cash and cash equivalents

| | 2021 | 2020 |
|---|---|---|
| Unrestricted funds | | |
| Bank – checking account | 663 | 684 |
| Short-term investments (a) | 2 | 2 |
| | 664 | 686 |
| Restricted funds | | |
| Bank – checking account | 9,130 | 7,559 |
| Short-term investments (a) | 5,228 | 924 |
| | 14,358 | 8.483 |
| | 15,023 | 9,169 |

(a) Short-term investments refer mainly to bank certificates of deposit and fixed income funds, yielding from 90% to 100% of the interbank deposit rate (CDI), as shown below:

| | 2021 | 2020 |
|---|---|---|
| Bank Certificates of Deposit (CDB) | 5,228 | 924 |
| Saving account | 2 | 2 |
| | 5,230 | 926 |

(In thousands of reais)

Any cash funds earmarked for use in projects may only be used to execute the respective projects, as established in the underlying agreements. However, such funds are unrestricted for cash investment purposes with financial institutions.

Any finance income arising from financial investments involving cash funds earmarked for projects is recognized in liabilities, together with project-related funds. Whereas finance income from funds belonging to the Entity are recorded in surplus/deficit, as finance income.

## 5. Advances paid

| | 2021 | 2020 |
|---|---|---|
| Advances to partners (a) | 336 | 161 |
| Advances for travel expenses | 31 | 13 |
| Advances to employees | 24 | 20 |
| Advances to suppliers | 53 | 40 |
| Other | 142 | 142 |
| | 585 | 376 |

(a) Advances made to third parties providing services during the execution of the projects.

## 6. Property and equipment

### a. Property and equipment – unrestricted items

| | | Balance | | | |
|---|---|---|---|---|---|
| Description | 2020 | Additions | Write-offs | Transfers | 2021 |
| Improvements and facilities | 146 | - | - | (1) | 145 |
| Machinery and equipment | 112 | - | - | (1) | 111 |
| Communication equipment | 128 | - | - | 1 | 129 |
| Computer equipment | 589 | - | - | (6) | 583 |
| Furniture and fixtures | 243 | - | - | - | 243 |
| Total cost | 1,217 | - | - | (7) | 1,211 |
| | | | | | |
| Improvements and facilities | (24) | (3) | - | - | (27) |
| Machinery and equipment | (98) | (1) | - | - | (99) |
| Communication equipment | (109) | (4) | - | - | (113) |
| Computer equipment | (558) | (8) | - | - | (566) |
| Furniture and fixtures | (224) | (6) | - | - | (230) |
| Total depreciation | (1,012) | (22) | - | - | (1,035) |
| | | | | | |
| Unrestricted book balance, net | 198 | (22) | - | - | 176 |

(In thousands of reais)

## b. Property and equipment – restricted assets

| | | Balance | | | |
|---|---|---|---|---|---|
| Description | 2020 | Additions | Write-offs | Transfers | 2021 |
| Improvements and Facilities | 104 | - | - | - | 104 |
| Vehicles | 118 | - | - | - | 118 |
| Machinery and equipment | 204 | 180 | - | - | 384 |
| Communication equipment | 54 | 30 | - | - | 84 |
| IT equipment | 1,049 | 411 | - | 7 | 1,467 |
| Furniture and fixtures | 99 | 10 | - | - | 109 |
| Total cost | 1,628 | 631 | - | 7 | 2,266 |
| Improvements and facilities | (17) | (3) | - | - | (20) |
| Vehicles | (109) | (9) | - | - | (118) |
| Machinery and equipment | (64) | (29) | - | - | (93) |
| Communication equipment | (32) | (7) | - | - | (39) |
| IT equipment | (824) | (153) | - | - | (977) |
| Furniture and fixtures | (59) | (13) | - | - | (72) |
| Total depreciation | (1,105) | (214) | - | - | (1,319) |
| Restricted property and equipment balance, net | 523 | 417 | - | - | 947 |
| Total property and equipment, net (a+b) | 728 | 395 | - | - | 1,123 |

Restricted assets are recorded in the accounts of the relevant programs against noncurrent liabilities in Program funding obligations.
The Institute keeps record of such assets until each program is completed, at which time the residual balance of the line item reducing liabilities is recorded as donation revenue.

In its reporting to donors the Institute is required to demonstrate that the assets planned for each program have been purchased and used as planned.

## 7. Program funding obligations

Funding received under agreements which is intended for a specific purpose in program delivery is classified, when received, as “Program funding obligations” under current liabilities.

The relevant expenses are recognized when incurred within the same group, in the line item reducing liabilities. Overhead expenses are allocated between programs as established in each agreement and in proportion to each program’s weight.

(In thousands of reais)

Expenses are segregated by donor based on the use of the relevant human resources and materials, with no transfers between donors.

| | Notes | 2021 | 2020 |
|---|---|---|---|
| Opening balance – current liabilities | | 8,584 | 7,442 |
| Restricted receivables | | 22,898 | 13,080 |
| | | 31,482 | 20,522 |
| Expenditures on projects | | | |
| Salaries, payroll taxes and benefits – projects | 11 | (5,158) | (4,378) |
| Consulting fees and services | | (7,040) | (5,062) |
| Property and equipment | | (778) | (268) |
| Travel expenses | | (269) | (222) |
| Publication, dissemination and events | | (52) | (17) |
| Rental expenses | | (268) | (286) |
| Utilities and services | | (72) | (61) |
| Taxes and fees | | (140) | (44) |
| Communication expense | | (516) | (382) |
| Consumables | | (40) | (22) |
| Finance income – income from financial investments | | 152 | 53 |
| Finance costs | | (104) | (78) |
| Insurance expenses | | (31) | (16) |
| Maintenance expenses | | (21) | (1) |
| Reimbursement of meals | | (1) | (150) |
| Other expenses | | (13) | 1 |
| Transfers to sub-contractors | | (3,269) | (1,005) |
| | | (17,619) | (11,938) |
| Closing balance – current liabilities | | 13,863 | 8,584 |

## 8. Contingencies

The Institute is subject to judicial and administrative proceedings arising from the normal course of operations, involving tax, labor, civil and other matters.

Periodically, Management evaluates contingent risks, based on legal, economic and tax basis, in order to classify them, according to their chances of occurrence and liability as probable, possible or remote, taking into consideration, as the case may be, the analyzes of our legal advisors who sponsor the causes of the Institute.

The Board of Directors of Institute, based on the opinion of its legal advisors, understands that the provisions and legal provisions already taken in each situation are sufficient to preserve its net assets, and there are no indications of the need to recognize provisions and/or disclosures for contingencies in 2021 and 2020, on judicial, tax, labor or civil.

(In thousands of reais)

## 9. Related-party transactions

The Institute regards its key management personnel as related parties. As of December 31, 2021 and 2020, there are not assets or liabilities balances with related parties.

Key management compensation comprises salaries, management fees and variable benefits.

| | 2021 | 2020 |
|---|---|---|
| Total compensation of key management personnel | 1,010 | 903 |
| | 1,010 | 903 |

## 10. Net assets

Net worth

The Institute’s net assets may change as surplus or deficit is recognized in each financial year. Surpluses are incorporated into net assets in accordance with the Institute’s bylaws.

In the event the Institute is dissolved, its residual net assets must entirely revert to nongovernment, nonprofit organizations qualified as Public Interest Civil Society Organizations having similar objectives, pursuant to Law No. 9.790/99.

The selection of such organizations would be made in the General Meeting at which the resolution to dissolve the Institute is made.

## 11. Net income

| | 2021 | 2020 |
|---|---|---|
| Restricted income (i) | 16,528 | 10,941 |
| Administration fees – projects and programs (ii) | 1,244 | 1,056 |
| Sundry income | 529 | 20 |
| Service revenue | 1,039 | 1,712 |
| | | |
| (-) Deductions | | |
| COFINS/ISS (service tax) | (65) | (128) |
| | 19,275 | 13,601 |

(In thousands of reais)

(i) e (ii) Income, by funder (restricted/donations and Administration fees)

| | 2021 | 2020 |
|---|---|---|
| NORAD (a) | 5,231 | 3,370 |
| Instituto Clima e Sociedade (b) | 3,494 | 2,485 |
| Instituto Arapyaú de Educação e Desenvolvimento Sustentável | 2,122 | - |
| BNDES Banco Nacional de Desenvolvimento Econômico e Social (c) | 1,129 | 1.017 |
| Skoll Foundation | 1,074 | 490 |
| Climate Works Monitoramento (d) | 1,010 | 499 |
| Gordon and Betty Moore Foundation (e) | 698 | 268 |
| The Open Society Foundations | 506 | - |
| Global Wildlife Conservation | 503 | - |
| U.S. Forest Service International Programs | 488 | - |
| Instituto Alcoa | 455 | 252 |
| Good Energies Foundation | 40 | 2.321 |
| JMG Foundation | 22 | 190 |
| NORAD EDF | - | 382 |
| Other | 999 | 722 |
| | 17,772 | 11,997 |

(ii) Administration fees can be:

- Unrestricted - In this case the donor allows certain expenses to be allocated to the line item "Other direct and indirect costs";
- Mixed - Administration fees are specified in the relevant agreements but certain expenses can also be allocated to the line item "Other direct and indirect costs"; and
- Restricted - Administrative expenses are charged only to Overhead fees.

Programs have the flexibility to use the funds above in amounts exceeding the limits specified for each category by a typical donor-accepted tolerance of approximately 10%, provided such amounts to not exceed the program budget. Program schedules may differ from the financial year and therefore in some cases a financial year may include two financial periods for the same program.

(a) NORAD - Norwegian Agency for Development Cooperation

1. Market transparency and law enforcement for conserving the Amazon Forest.

(b) Instituto Clima e Sociedade – ICS

1. Support Imazon's institutional strengthening in areas such as communication, information technology, legal defense, team empowerment as well as support to the program areas of deforestation and conservation;
2. Meet institutional needs in the areas of legal, communication, contracting services (electronic signature and document review) and reinforce IT security, and create a system to classify the main retailers and slaughterhouses according to commitments to verify compliance along the supply chain;

(In thousands of reais)

3. Analyze the effectiveness of the Amazônia Protege program in punishing illegal deforestation; contribute to the judicial punishment of illegal deforestation and increase knowledge about the role of the judiciary in dealing with environmental crimes in the Legal Amazon; and
4. Support the creation of a Blueprint for the conservation and sustainable development of the Brazilian Amazon Forest.

(c) BNDES - Banco Nacional de Desenvolvimento Econômico e Social

1. Support (i) the strengthening of the environmental management in cities considered a priority for the development of policies on prevention and control of the Amazon biome deforestation; (ii) studies to perform land diagnoses of the States of Amazonas, Mato Grosso, Pará, and Rondônia, and (iii) improve the management of the state conservation units in Calha Norte, State of Pará.

2. Support the environmental suitability of rural properties in the Legal Amazon, through:
(i) Implementation of forestation restoration techniques by means of a land-based approach in Easter Pará; (ii) formation of multiplying agents; (iii) preparation of a flow to trace the areas under restoration, and (iv) foster forestry landscape restoration activities.

(d) Climate Works Monitoramento

1. Promote growing support and understanding of the innovation potential and non-carbon benefits of a standing forest-flowing river economy in the Amazon.
2. Technical support to public prosecutors and environmental secretariats in using deforestation risk data in their efforts to prevent deforestation.

(e) Gordon and Betty Moore Foundation

1. Support improved management, monitoring, and regional integration in key protected areas in Northern Pará, Brazil in accordance with the Outcome Plan and the Payments.

## 12. Operating costs

| | 2021 | 2020 |
|---|---|---|
| Unrestricted costs | | |
| Payroll and related taxes (i) | (56) | (591) |
| Services provided by third parties | - | - |
| | (56) | (591) |

| | 2021 | 2020 |
|---|---|---|
| Restricted costs | | |
| Payroll and related taxes(i) | (5,158) | (4,378) |
| Services provided by third parties | (11,369) | (6,563) |
| | (16,528) | (10,941) |

(In thousands of reais)

(i) Payroll and related taxes

| | Unrestricted 2021 | Unrestricted 2020 | Restricted 2021 | Restricted 2020 |
|---|---|---|---|---|
| Salaries | - | (160) | (2,085) | (1,712) |
| INSS (Social Security Contribution) | - | (57) | (732) | (630) |
| Meal allowance | - | (86) | (592) | (559) |
| Health care | - | (44) | (373) | (308) |
| Vacation | (56) | (56) | (239) | (211) |
| Bonuses | - | (18) | (387) | (377) |
| Severance Pay Fund (FGTS) | - | (15) | (226) | (197) |
| 13º salary | - | (18) | (213) | (186) |
| Life insurance | - | (8) | (88) | (73) |
| Compensation - Interns | - | (15) | (102) | (61) |
| PIS (tax on income) | - | (6) | (29) | (25) |
| Fine | | | | |
| Termination fine | - | (95) | (71) | (8) |
| Training | - | (4) | - | - |
| Tests and medicine | - | (6) | (20) | (31) |
| | (56) | (591) | (5,158) | (4,378) |

## 13. Administrative expenses

| | 2021 | 2020 |
|---|---|---|
| Travels | (15) | (43) |
| Rental | (268) | (192) |
| Publication, dissemination and events | (52) | - |
| Taxes and fees | (193) | (16) |
| Depreciation and amortization | (24) | (52) |
| Insurance | (31) | (10) |
| Communication | (516) | (343) |
| Consulting fees and outside services | (674) | (663) |
| Other administrative expenses | (136) | (41) |
| | (1,908) | (1,360) |

## 14. Finance income (costs)

| | 2021 | 2020 |
|---|---|---|
| Interest on short-term investments | 5 | 8 |
| Total finance income | 5 | 8 |
| | | |
| Banking fees and interest expenses | (99) | (77) |
| Total finance costs | (99) | (77) |
| | | |
| Finance income (costs), net | (94) | (69) |

## 15. Financial instruments

The Institute is exposed to risks arising from the use of financial instruments. This note describes the objectives, policies and processes of the Institute to manage those risks and the methods used to measure them.

(In thousands of reais)

### Main financial instruments

The main financial instruments used by the Institute, including risks arising from financial instruments are as follows:

- Cash and banks;
- Investments in investment funds; and
- Trade payables.

The Institute's activities are subject to the following financial risks:

- Credit risk;
- Liquidity risk; and
- Market risk.

### Credit risk

Credit risk arises primarily from cash held in banks.
The Institute’s credit risk primarily arises from bank deposits and short-term investments as Bank Certificates of Deposits (CDBs).

The Entity makes investments in bank certificates of deposits managed by prime financial institutions. The Institute does not contract derivatives to manage the credit risk. Quantitative, book-value disclosures of the Institute’s exposure to credit risk in relation to financial assets, as of December 31, 2021 and 2020 are provided below.

| | 2021 | 2020 |
|---|---|---|
| Financial assets | | |
| Cash and cash equivalents | 15,023 | 9,169 |
| | 15,023 | 9,169 |

### Liquidity risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Institute’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institute’s reputation.

The Institute’s payment flows in connection with financial liabilities as of December 31, 2021 and 2020 are presented below (at book value):

| | 2021 | 2020 |
|---|---|---|
| Financial liabilities | | |
| Suppliers | 82 | 24 |
| Program funding obligations | 13.863 | 8.584 |
| | 13.944 | 8.608 |

The Institute was not in default of any financial obligations as of December 31, 2021 and 2020.

Market risk (interest rates)

This risk arises from the possibility of the Entity incurring losses (or gains) due to fluctuations in the interest rates applicable to its assets and liabilities raised (invested) in the market. Financial instruments subject to market risk are represented by investments in bank certificates of deposit managed by prime financial institutions. As mentioned in Note 4, the volatility of the indexes to which these financial instruments are subject is low.

Management has a conservative cash management approach and invests cash on hand in bank certificates of deposit pegged to the CDI and in savings accounts, redeemable in the short term, when the respective donors allow. The income arising from these financial investments is reinvested in the Entity itself.

The Entity does not have significant transactions pegged to exchange rates.

## 16. Insurance coverage

The Institute has insurance to safeguard its assets against possible claims, as Management deems necessary due to the current profile of its assets. The coverage, on December 31, 2021, was contracted in amounts sufficient to cover possible loss events. The risk assumptions adopted by the Institute, given their nature, are not part of the audit scope of the financial statements and consequently were not examined by the independent auditors.

Executive Board

Verônica Oki Igacihalaguti
Administrative Director

Ritaumaria de Jesus Pereira
Executive Director

Gian Carlo Cruz Toppino
Accountant CRC/PA 011577/O-0