

# Fundo Amazônia

(Managed by National Bank of Economic and Social Development, or BNDES - "Banco Nacional de Desenvolvimento Econômico e Social")

## **Financial statements December 31, 2019 and 2018**

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KPMG Auditores Independentes  
Rua do Passeio, 38 - Setor 2 - 17º andar - Centro  
20021-290 - Rio de Janeiro/RJ - Brasil  
Caixa Postal 2888 - CEP 20001-970 - Rio de Janeiro/RJ - Brasil  
Telefone +55 (21) 2207-9400  
kpmg.com.br

## **Independent auditors' report on the financial statements**

To the Administrator of  
Fundo Amazônia  
Brasília - DF

### **Opinion**

We have examined the financial statements of Fundo Amazônia ("Fund"), which comprise the balance sheet as of December 31, 2019 and the respective statements of net assets, changes in net assets and cash flows for the year then ended, as well as the corresponding notes, comprising significant accounting policies and other explanatory information.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of Fundo Amazônia as of December 31, 2019 and the performance of its operations for the year then ended, in accordance with the accounting practices adopted in Brazil applicable to not-for-profit entities (ITG 2002 R1).

### **Basis for opinion**

Our audit was conducted in accordance with Brazilian and international audit standards. Our responsibilities, in conformity with these standards, are described in the following section denominated "Auditors' responsibilities for the audit of the financial statements". We are independent in relation to the Fund, according to the relevant ethical principles established in the Accountants' Professional Code of Ethics and the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.



### **Responsibility of Fund's Administrator for the financial statements**

The Fund's Administrator is responsible for the preparation and adequate presentation of the financial statements in accordance with the accounting practices adopted in Brazil, applicable to not-for-profit entities (ITG 2002 R1) and by internal controls that has determined as necessary to enable the preparation of financial statements free of relevant distortion, regardless of whether caused by fraud or error.

In the preparation of financial statements, Administrator is responsible, limited to prerogatives provided in NBC TG 26, for assessing the ability of the Fund to continue as a going concern, disclosing, where applicable, the matters relating to its going concern and the use of this basis of accounting in preparing the financial statements, unless the Administrator intends to wind-up the Bank or cease its operations, or has no realistic alternative to avoid the closure of operations.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatements, regardless of whether any such misstatement is caused by fraud or error, and issue an audit report containing our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted pursuant to Brazilian and international auditing standards will always detect any existing material misstatements. Misstatements may arise from fraud or error, and are considered material when, individually or in aggregate, may influence, from a reasonable perspective, the economic decisions of users taken based on such financial statements.

As part of an audit conducted according to the Brazilian and international auditing standards, we exercise professional judgment, and maintain professional skepticism during the audit. In addition:

- We identified and assessed the risks of material misstatement in the financial statements (regardless of whether any such misstatement is caused by fraud or error), we planned and performed audit procedures in response to such risks, and we obtained audit evidence that is appropriate and sufficient to underpin our opinion. The risk of not detecting material misstatement resulting from fraud is higher than that arising from error, once the fraud may involve the act of dodging the internal controls, collusion, falsification, omission or false intentional representations.
- We obtained an understanding of the internal controls relevant to the audit to design auditing procedures suitable to the circumstances, but not with the aim of expressing an opinion on the effectiveness of the Fund's internal controls.
- We assessed the adequacy of the accounting procedures used and the reasonableness of the accounting estimates and the respective disclosures made by the Administrator.



- We reach a conclusion as to the suitability of Administrator's use of the accounting basis for going concern and, based on the audit evidence obtained, as to whether there is a material uncertainty regarding events or conditions that could raise a significant doubt regarding the Fund's capacity for going concern. If we conclude that there is material uncertainty, we will call attention in our audit report to the respective disclosures in the financial statements or include any change in our opinion, if the disclosures are inappropriate. Our conclusions are based on the audit evidences obtained through the date of our report. However, future events or conditions may cause the Fund not to continue as going concern.
- We assessed the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the corresponding transactions and events in a manner that is consistent with the objective of proper reporting.

We communicate with Administrator regarding, among other things, the planned scope and timing of the audit, as well as significant audit findings, including any significant deficiencies in internal controls that we identify during our work.

We also provide to Administrator a statement that we fulfill the relevant ethical requirements, including the applicable independence requirements, and communicate all of the possible relations or matters that could considerably affect our independence, including, when applicable, the respective disclaimers.

Rio de Janeiro, May 4, 2020

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-RJ

Marcelo Faria Pereira  
Accountant CRC RJ-077911/O-2

**FUNDO AMAZÔNIA**  
 (Managed by National Bank of Economic and Social  
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**BALANCE SHEETS**  
 December 31, 2019 and 2018  
 (In thousands of reais)

	Note	12/31/2019	12/31/2018
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	4	3,581,776	3,482,996
Prepaid expenses	5	89,490	90,094
<b>Total assets</b>		<b>3,671,266</b>	<b>3,573,090</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT</b>			
Available project funds	6	3,581,776	3,482,996
Support funds	7	89,490	90,094
<b>SHAREHOLDER'S EQUITY</b>			
Accumulated surplus/(deficit)		-	-
<b>Total liabilities and net assets</b>		<b>3,671,266</b>	<b>3,573,090</b>

See the accompanying notes to the financial statements.

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**STATEMENTS OF NET ASSETS**  
 Years ended December 31, 2019 and 2018  
 (In thousands of reais)

	Note	2019	2018
<b>REVENUES</b>			
Income from donations to investments	6	109,034	187,214
Revenues from donations to support	7	605	960
Financial income	4	207,814	203,585
<b>EXPENSES</b>			
Expenses of donations to investments	6	(109,034)	(187,214)
Expenses with remuneration of available project funds	6	(207,814)	(203,585)
Administrative expenses	9	(605)	(960)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		-	-

See the accompanying notes to the financial statements.

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**STATEMENTS OF CHANGES IN NET ASSETS**  
December 31, 2019 and 2018  
(In thousands of reais)

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	<b>Accumulated surplus/(deficit)</b>
<b>Balance at January 1, 2018</b>	-
Year 2018	-
Balance at December 31, 2018	-
Year 2019	-
<b>Balance at December 31, 2019</b>	-

See the accompanying notes to the financial statements.



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**STATEMENTS OF CASH FLOWS**  
 Years ended December 31, 2019 and 2018  
 (In thousands of reais)

	Note	12/31/2019	12/31/2018
<b>Cash flow from operating activities</b>			
<b>Funds received</b>			
Funds received from donations	6	-	273,604
Funds received retained - (3%)	7	-	(8,208)
Funds invested in projects	6	(109,034)	(187,214)
Financial income	4	207,814	203,585
Other liabilities	8	-	(7)
<b>(=) Net cash generated by operating activities</b>		<b>98,780</b>	<b>281,760</b>
Cash and cash equivalents at the beginning of the year		3,482,996	3,201,236
Cash and cash equivalents at the end of the year	4	3,581,776	3,482,996

See the accompanying notes to the financial statements.

# FUNDO AMAZÔNIA

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Notes to the financial statements  
December 31, 2019 and 2018  
(In thousands of reais)

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## 1. CONTEXT OF ACTIVITIES

Fundo Amazônia was created by BNDES Resolution 1.640, of September 3, 2008, and commenced its activities in the second semester of 2009, engaged in raising donations to non-reimbursable investments in prevention, monitoring and fight against deforestation, and promotion of conservation and sustainable use of forests of Legal Amazon, under Decree 6527/2008, amended by Decrees 6565/2008 and 8773/2016.

Fundo Amazônia supports projects in the following areas:

- Management of public forests and protected areas;
- Environmental control, monitoring and supervision;
- Sustainable forest management;
- Economic activities developed on the basis of sustainable use of vegetation;
- Ecologic and economic zoning, land use planning and regularization;
- Conservation and sustainable use of biodiversity; and
- Deforested Area Restoration.

The management and administration of Fundo Amazônia are under the responsibility of the National Bank for Economic and Social Development - BNDES, and includes, among other, the raising of funds, the contracting and monitoring of the supported projects and actions, as well as operating as a judicial representative.

The governance of Fundo Amazônia established by the Decree 6527/2008 provided the existence of a Steering Committee - COFA, which is responsible for defining its guidelines and monitoring the results obtained. Due to the enactment of Decree No. 9,759 on April 11, 2019, which provided for rules for federal public administration collegiate bodies, the two committees that comprise the governance of Fundo Amazônia were as follows: the Guidance Committee for Fundo Amazônia (Comitê Orientador do Fundo Amazônia - Cofa) and the Technical Committee for Fundo Amazônia (Comitê Técnico do Fundo Amazônia - CTFA) were extinguished as of June 28, 2019. As a result of these changes in the fund's governance, negotiations started being carried out between the Brazilian government and the governments of the donor countries with the purpose of establishing a common understanding for a new governance.

This situation had no impact on the performance of projects that had already been contracted. Thus, Fundo Amazônia continues to operate normally, making new releases and monitoring the performance of projects. The funds for the continuity and conclusion of the projects already contracted are guaranteed as provided for in the donation contracts. Only reviews and approvals of new projects that were not completed until the end of 2019 were suspended during the negotiation period.

Fundo Amazônia does not have own legal personality, and its transactions are accounted for in specific accounts of the BNDES.

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## 2. PREPARATION BASIS

The financial statements have been prepared and are presented in conformity with Brazilian accounting practices for not-for-profit entities, according to Interpretation ITG 2002 (R1), approved by Resolution 1409, of September 21, 2012, issued by the Federal Accounting Council.

### a) Measuring basis

The financial statements have been prepared based on historical cost, except for investments, recorded as "Cash and cash equivalents" and measured at fair value through profit or loss.

### b) Functional currency

The Administrator concluded that the real is the functional currency of the Fund.

## 3. DESCRIPTION OF SIGNIFICANT ACCOUNTING PRACTICES

The accounting policies described in detail below have been consistently applied to all the years presented in these financial statements.

### 3,1 Cash and cash equivalents

They include interbank funds applied in two funds managed by BB Gestão de Recursos - Distribuidora de Títulos e Valores Mobiliários S.A. - BB DTVM, which have conservative investment portfolio with low risk of change in the market value of investments. Income from investments in BB DTVM is linked to the change in the quota of invested funds, as described in note 4.

### 3,2 Available project funds

Refer to the balance of donations received and not yet allocated, including income from the investment of these funds.

According to Decree 6527/2008 and further amendments, 97% of the resources received are destined to projects. These amounts are recorded in liabilities less, expenses incurred by each project, so that they do not result in increase or reduction of the net assets, considering that the Fund is only the collecting and onlending agent for performance of the projects.

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## 3,3 Donations for support

Pursuant to §3 of article 1 of Decree 6527/08 and further amendments, the BNDES should segregate the amount equivalent to 3% of the value of donations to cover its operating costs and the expenses related to Fundo Amazônia. Income from costing related to 3% of the donations is accounted for as "Funds to Costing" and recognized according to the use of funds by the BNDES. The transfer of the 3% made by BNDES is presented as "Prepaid Expenses" and recorded as "Administrative Expenses" according to the use by the BNDES.

## 3,4 Statement of cash flows

The Fund opted for the direct method in the presentation of this statement. The funds received from projects were treated as operating activities, since the Fund operates as collecting and onlending agent for these funds.

## 4. CASH AND CASH EQUIVALENTS

They are comprised as follows:

	12/31/2019	12/31/2018
Interest earning bank deposits with the Administrator (*)	3,581,776	3,482,996
<b>TOTAL</b>	<b>3,581,776</b>	<b>3,482,996</b>

(\*) The Administrator maintains the Fund's resources in the investment fund BB Gaia Fundo de Investimento Renda Fixa ("BB Gaia FIRF"), whose portfolio is concentrated on Government bonds, and in BB Gaia II Fundo de Investimento em Cotas de Fundo de Investimento Renda Fixa ("BB Gaia II FIC FIRF"), which concentrates at least 95% of its net assets in quotas of BB Gaia FIRF. Both funds have daily liquidity clause.

Pursuant to Decree 6527/08 and further amendments, the percentage of 97% of the donations received is destined to projects. The Fund segregates these funds in specific investment account. The resources, while not destined to projects, are invested by the BNDES in the aforementioned exclusive funds, administered and managed by BB DTVM, and remunerated based on the yield rate of each of them.

Additionally, the exclusive fund BB Gaia II FIC FIRF was created in compliance with Decision 832/2012, which established the accounting segregation of values obtained from Brazilian public sources, which cannot be destined to projects performed by the Federal Government.

Up to December 2019, the total financial revenues from investments of Fundo Amazônia since its inception totaled R\$ 1,460,233 (R\$ 1,252,419 up to December 2018).

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Changes in cash and cash equivalents are as follow:

12/31/2019				
	Total	Funds to projects (Gaia FI)	Funds to projects (Gaia II FIC)	Funds to costing
<b>Balance at January 1, 2019</b>	3,482,996	3,463,283	19,713	-
Income	207,814	206,686	1,128	-
Funds released	(109,034)	(109,034)	-	-
<b>Balance at December 31, 2018</b>	3,581,776	3,560,935	20,841	-

12/31/2018				
	Total	Funds to projects (Gaia FI)	Funds to projects (Gaia II FIC)	Funds to costing
<b>Balance at January 1, 2018</b>	3,201,236	3,183,846	17,390	-
Income	203,585	202,468	1,117	-
Funds retained by BNDES (3%)	(8,208)	-	-	(8,208)
Funds to return	(7)	(7)	-	-
Transfer between funds	-	(4)	4	-
Funds released	(187,214)	(187,214)	-	-
Donations received	273,604	264,194	1,202	8,208
Norwegian Ministry of Foreign Affairs	272,365	264,194	-	8,171
Petrobras	1,239	-	1,202	37
<b>Balance at December 31, 2018</b>	3,482,996	3,463,283	19,713	-

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## 5. PREPAID EXPENSES

The balance of prepaid expenses is comprised of the equivalent to 3% of the value of donations, withheld by BNDES to cover operating costs of Fundo Amazônia, net of values recognized as "Administrative Expenses" at Fundo Amazônia according to the use by BNDES.

## 6. AVAILABLE PROJECTS FUNDS

The balance of funds to projects was received from the following donors: (i) Norwegian Ministry of Foreign Affairs, (ii) KFW and (iii) Petrobras, and are destined to specific projects and associated to the purpose of Fundo Amazônia.

Changes in funds to projects are as follows:

	12/31/2019	12/31/2018
<b>Balance at the beginning of the year</b>	<b>3,482,996</b>	<b>3,201,229</b>
Income	207,814	203,585
Funds released	(109,034)	(187,214)
Donations received (*)	-	265,396
<b>Balance at the end of the year</b>	<b>3,581,776</b>	<b>3,482,996</b>

(\*) Net value of the portion of 3% destined to cover costs.

The amount of R\$ 109,034 (R\$ 187,214 as of December 31, 2018) is recorded in Surplus (deficit) account under "Income from donations for investments" and "Expenses with donations for investments", annulling each other because Fundo Amazônia is a not-for-profit entity.

Fundo Amazônia did not receive donations in the year 2019. Since the beginning of its activities to December 31, 2019, Fundo da Amazônia received funds from the following donors:

Up to 12/31/2019			
Donor	Funds to costing - 3%	Funds to projects - 97%	Total 100%
Norwegian Ministry of Foreign Affairs	95,601	3,091,119	3,186,720
KFW	5,781	186,909	192,690
Petrobras	518	16,767	17,285
<b>Total</b>	<b>101,900</b>	<b>3,294,795</b>	<b>3,396,695</b>

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Up to 12/31/2018			
Donor	Funds to costing - 3%	Funds to projects - 97%	Total 100%
Norwegian Ministry of Foreign Affairs	95,601	3,091,119	3,186,720
KFW	5,781	186,909	192,690
Petrobras	518	16,767	17,285
<b>Total</b>	<b>101,900</b>	<b>3,294,795</b>	<b>3,396,695</b>

## 7. SUPPORT FUNDS

The balance of funds to costing refers to the portion of the donation (3%) retained by BNDES not yet recognized as "Income from donation". Income from donation is recognized according to the use of funds by BNDES. For the year ended December 31, 2019, no amounts were allocated for funding due to the lack of funds received from donations for the period. For the year ended December 31, 2018, an amount of R\$ 8,208 was allocated to fund 3% of the total funds received from donations, in the amount of R\$ 273,604.

## 8. ADMINISTRATIVE EXPENSES

In the year ended December 31, 2019, administrative expenses were recognized as R\$ 605 (R\$ 960 at 12/31/2018) and the most relevant ones: publicity, travels and lodging, lecturers and audit events and services.

## 9. TAXES

Any tax liability resulting from operations in the ambit of Fundo Amazônia is responsibility of BNDES, since the Fund does not have own legal personality, and its transactions are accounted for in specific accounts of the BNDES.

### Pis and Cofins

Pursuant to article 1 of Law 11828, of November 20, 2008, with wording given by Law 12810, of May 15, 2013, there is exemption of PIS-PASEP Contribution for social security funding (COFINS) on donations in cash received by public financial institutions controlled by the Federal Government and destined to the prevention, monitoring, fight against deforestation, including programs of remuneration for environmental services, and promotion of conservation and sustainable use of Brazilian biomes.

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## Income and social contribution taxes

There is no result to be subject to IRPJ and CSLL taxation, since income from donation is recognized in Surplus (deficit) at the same moment of allocation of operating expenses to projects created in the ambit of Fundo Amazônia, as per approval of solution to consultation 59 SRRF07/Disit, 08/06/2009, by BNDES before the Federal Revenue Service. The same occurs in connection with the financial result of investments in investment funds.

## 10. RELATED PARTY TRANSACTIONS

Fundo Amazônia has a relationship with BNDES, which is authorized to earmark the value of donations received in cash to non-reimbursable investments in prevention, monitoring, fight against deforestation and promotion of conservation and sustainable use of the Amazon biome. The relationship mentioned refers to values corresponding to "cash and cash equivalents" (as mentioned in Note 4), which are held in bank accounts held by BNDES.

Additionally, BNDES holds an amount equivalent to 3% of the value of donations to cover its operating costs and the expenses related to Fundo Amazônia, see further explanations in note 5 "Prepaid expenses".

## 11. SHAREHOLDERS' EQUITY

The net assets of Fundo Amazônia is comprised of surplus/(deficit) for the years.

## 12. RISK MANAGEMENT

On December 31, 2019 and 2018, the Fund does not present material credit, liquidity, market and operating risks since it has very limited operations. The Fund has concentration of credit risk with its Administrator (invested funds) as shown in Note 4. The book values represent the Fund's credit risk amount. Pursuant to Note 1, the funds for the continuity and conclusion of the projects already contracted are guaranteed as provided for in the donation contracts.



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**BOARD OF EXECUTIVE OFFICERS**

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Petrônio Duarte Cançado

Ricardo Wering de Barros

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**SUPERINTENDENT OF THE CONTROLLERSHIP AREA**

Luciana Torres Bastos

**CORPORATE REPORT DEPARTMENT HEAD**

Maria da Conceição Viviane Távora de Freitas

Accountant - CRC-RJ 093.073/O-5