

# **Financial Statements**

## **Instituto Clima e Sociedade**

December 31, 2017  
with Independent Auditor's Report

# Instituto Clima e Sociedade

## Financial statements

December 31, 2017 and 2016

### Contents

Independent auditor's report on financial statements .....	1
Audited financial statements	
Statements of financial position.....	4
Statements of surplus (deficit).....	5
Statements of comprehensive income .....	6
Statements of changes in equity .....	7
Statements of cash flows .....	8
Notes to financial statements .....	9



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**A free translation from Portuguese into English of Independent Auditor's Report on Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil, applicable to nonprofit organizations (ITG 2002 (R1))**

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## **Independent auditor's report on financial statements**

The Board of Directors, Shareholders and Officers  
**Instituto Clima e Sociedade**  
Rio de Janeiro - RJ

### **Opinion**

We have audited the financial statements of Instituto Clima e Sociedade ("Institute"), which comprise the statements of financial position as at December 31, 2017 and the related statements of surplus (deficit), of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting practices.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Instituto Clima e Sociedade as at December 31, 2017, its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil, applicable to nonprofit organizations (ITG 2002 (R1)).

### **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 statements" section of our report. We are independent of the Institute and comply with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the 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 support our opinion.

### **Other matters**

#### **Prior year's financial statements audited by another independent auditor**

The audit of the financial statements for the year ended December 31, 2016, originally prepared before the adjustments described in Note 3, was conducted under the responsibility of another independent auditor, who issued an unqualified audit report dated July 28, 2017. As part of our audit of the financial statements as at December 31, 2017, we have audited the adjustments to the corresponding amounts of the financial statements for the year ended December 31, 2016, which, in our opinion, are appropriate and have been correctly made, in all material respects. We were not engaged to audit, review or apply any other procedures to the financial statements for 2016 or the opening balances of January 1, 2016; therefore, we do not express an audit opinion or any form of assurance on these financial statements taken as a whole.



## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, applicable to nonprofit organizations (ITG 2002 (R1)), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of 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 a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless 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 financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of 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 will always detect material misstatements when they exist. Misstatements may derive from fraud or error and are deemed material, individually or taken as a whole, whenever they can influence, within a reasonable perspective, the economic decisions of users made on the basis of referred to financial statements.

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:

- Identify and assess risks of material misstatements 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 one resulting from error, as fraud may involve override of internal controls, collusion, forgery, intentional omissions or misrepresentations.
- Obtain 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 Institute's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related 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 a 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 corresponding 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.

Rio de Janeiro, October 8, 2018.

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2SP015199/O-6



Diogo Afonso da Silva  
Accountant CRC-1RJ114783/O-8

## Instituto Clima e Sociedade

Statements of financial position  
December 31, 2017 and 2016  
(In thousands of reais)

	Note	2017	2016 (restated)
<b>Assets</b>			
Current assets			
Cash and cash equivalents	4	6,896	5,256
Marketable securities	5	5,574	4,482
Receivables		117	25
Donations receivable	6	8,216	4,073
Project and partnership funds	7	6,545	5,074
		<u>27,348</u>	<u>18,910</u>
Noncurrent assets			
Donations receivable	6	7,110	-
Project and partnership funds	7	75	989
Property and equipment	8	122	104
Intangible assets	8	14	19
		<u>7,321</u>	<u>1,112</u>
Total assets			
		<u>34,669</u>	<u>20,022</u>
<b>Liabilities and equity</b>			
Current liabilities			
Accounts payable		36	1
Tax liabilities		7	-
Labor and social liabilities	9	171	169
Funds for social projects	10	20,138	13,569
Partnership funds	11	6,545	5,074
		<u>26,897</u>	<u>18,813</u>
Noncurrent liabilities			
Funds for social projects	10	7,110	-
Partnership funds	11	75	989
		<u>7,185</u>	<u>989</u>
Equity			
Net asset value	12	220	34
Surplus for the year		367	186
		<u>587</u>	<u>220</u>
Total liabilities and equity			
		<u>34,669</u>	<u>20,022</u>

See accompanying notes.

## Instituto Clima e Sociedade

Statements of surplus (deficit)  
 Years ended December 31, 2017 and 2016  
 (In thousands of reais)

	Note	2017	2016 (restated)
Operating revenues		<b>18,460</b>	12,202
With restrictions		<b>18,438</b>	12,143
Social programs	13.1	<b>18,128</b>	11,993
Financial returns	13.2	<b>308</b>	175
Exchange gains (losses)	13.3	<b>2</b>	(25)
Without restrictions	13.4	<b>22</b>	59
Voluntary contributions and donations		<b>9</b>	1
Rendering of services		<b>-</b>	58
Other revenues		<b>13</b>	-
Social activity cost		<b>(15,351)</b>	(9,099)
Program activities	14	<b>(15,351)</b>	(9,099)
Gross surplus (deficit)		<b>3,109</b>	3,103
Operating expenses		<b>(2,742)</b>	(2,917)
Personnel expenses	15.1	<b>(1,355)</b>	(1,389)
Services rendered	15.2	<b>(269)</b>	(564)
Travel and lodging	15.3	<b>(425)</b>	(355)
General and administrative expenses	15.4	<b>(512)</b>	(506)
Tax expenses	15.5	<b>(152)</b>	(84)
Depreciation and amortization	8	<b>(29)</b>	(19)
Surplus for the year		<b>367</b>	186

See accompanying notes.

## Instituto Clima e Sociedade

Statements of comprehensive income  
Years ended December 31, 2017 and 2016  
(In thousands of reais)

	<u>2017</u>	<u>2016</u> (restated)
Surplus for the year	367	186
Other comprehensive income	-	-
Comprehensive income for the year	<u>367</u>	<u>186</u>

See accompanying notes.



## Instituto Clima e Sociedade

Statements of changes in equity  
Years ended December 31, 2017 and 2016  
(In thousands of reais)

	<u>Net asset value</u>	<u>Surplus (deficit)</u>	<u>Total equity</u>
Balances at December 31, 2015	34	-	34
Surplus for 2016	-	186	186
Balances at December 31, 2016	34	186	220
Incorporation of surplus	<b>186</b>	<b>(186)</b>	-
Surplus for 2017	-	<b>367</b>	<b>367</b>
Balances at December 31, 2017	<b>220</b>	<b>367</b>	<b>587</b>

See accompanying notes.

## Instituto Clima e Sociedade

Statements of cash flows  
 Years ended December 31, 2017 and 2016  
 (In thousands of reais)

	<b>2017</b>	<b>2016</b> <b>(restated)</b>
Cash flow from operating activities		
Surplus for the year	<b>367</b>	186
Adjustments to reconcile surplus to cash flow from operating activities		
Depreciation/amortization	<b>29</b>	19
Adjusted surplus for the year	<b>396</b>	205
Changes in assets and liabilities		
Receivables	<b>(92)</b>	(1)
Donations receivable	<b>(11,253)</b>	(4,073)
Project and partnership funds	<b>(557)</b>	(6,063)
Accounts payable	<b>35</b>	-
Labor, tax and social liabilities	<b>9</b>	82
Funds for social projects	<b>13,679</b>	13,128
Partnership funds	<b>557</b>	6,063
Net cash provided by (used in) operations	<b>2,378</b>	9,136
Cash flow from investing activities		
Short-term investments	<b>(1,092)</b>	(4,482)
Acquisition of property and equipment and intangible assets	<b>(42)</b>	(41)
Net cash from investing activities	<b>(1,134)</b>	(4,523)
Increase in cash and cash equivalents	<b>1,640</b>	4,818
Opening balance of cash and cash equivalents	<b>5,256</b>	438
Closing balance of cash and cash equivalents	<b>6,896</b>	5,256

See accompanying notes.

## Instituto Clima e Sociedade

Notes to financial statements  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 1. Operations

Instituto Clima e Sociedade ("iCS" or "Institute") is a nonprofit civil association under private law, located at Rua General Dionísio, nº 14 - parte, Humaitá - Rio de Janeiro - RJ, and registered with the Civil Registry of Legal Entities on May 11, 2015.

iCS is an association that fosters prosperity and low-carbon economic growth in Brazil. It is part of a network of philanthropic re-granting agents that act as catalysts of global, national and regional climate-related policies, with the aim of reducing the emission of greenhouse gases.

Pursuant to its bylaws, the aim of iCS is to foster prosperity and justice in Brazil, leading the transition to 1.5°C, becoming a reference for other developing countries and providing social support for actions related to climate change, in line with environmental preservation and sustainable development principles. iCS' mission is to be recognized as a center of excellence in philanthropy for climate change in Brazil by:

- (a) Grant making: supporting and enabling organizations and projects of civil society, academy and governments;
- (b) Mobilizing Resources: engaging national and international philanthropic and other financial agents;
- (c) Convening: connecting partners and catalyzing actions across sectors.

iCS actions focus on:

#### Climate policy and economics

Ensuring strong political participation and governance in climate change at the local and national levels, with the aim of planning long-term actions and promoting economic measures that favor low-carbon development.

#### Electricity

Stimulating initiatives in the areas of energy efficiency, distributed generation and smart grid; promoting renewable energy (mainly solar, wind and biomass); decreasing generation of electricity from fossil sources, and democratizing and decentralizing planning of the electric sector in Brazil. We believe there is potential to reach a zero emission electricity sector, as well as a fuel area with the lowest possible carbon content. To promote this scenario, we work with the private sector, regulatory authorities and consumers.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 1. Operations (Continued)

#### Urban mobility

Adopting urban mobility plans that prioritize public and non-motorized transport, as well as with low carbon emission. Involving and engaging civil society and think tanks to develop innovative models for this sector, thus ensuring that sustainability prevails over isolated actions. Among the main objectives, we highlight the monitoring and implementation of mobility policies, in addition to deepening the discussions on the economy, air quality, health and transport technologies.

#### Low carbon economy

Generate evidence and create conditions for the private sector and regulatory authorities to reach a low carbon economy in Brazil as soon as possible. Our strategy is to facilitate the design of a development model with economic growth and social inclusion with low emissions. Investments in this model result in the reduction of greenhouse gases, besides benefiting companies that adopt more efficient methods in their production lines.

### 2. Basis of presentation

#### a) Statement of compliance

The financial statements were prepared and are presented in accordance with accounting practices adopted in Brazil applicable to small and medium-sized enterprises (Brazil's National Association of State Boards of Accountancy (CFC) Resolution No. 1255/09, NBC TG (R1) 1000 - Accounting for Small and Medium-sized Enterprises, which approved PME technical pronouncement of the Brazilian FASB (CPC)), as well as in accordance with CFC Resolution No. 1409/12, dated September 21, 2012, which approved ITG 2002 - Nonprofit Organizations, amended and consolidated as ITG 2002 (R1) on August 21, 2015.

Institute management authorized the issue of the financial statements on October 8, 2018.

#### b) Functional and reporting currency

Institute management defined that its functional currency is the Brazilian real, according to the standards described in Technical Pronouncement CPC PME - Accounting of Small and Medium-Sized Enterprises (Section 30 - Effect of changes in exchange rates and translation of financial statements).

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 2. Basis of presentation (Continued)

#### b) Functional and reporting currency (Continued)

Transactions denominated in foreign currency, i.e., those not carried out in the functional currency, are translated at the exchange rate of each transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate at the closing date.

Gains and losses on exchange rate differences on monetary assets and liabilities are recognized in the statement of surplus (deficit).

### 3. Summary of significant accounting practices

#### a) Cash and cash equivalents

Cash equivalents are held by the Company for the purpose of meeting short-term cash commitments, rather than for investment or other purposes. Management considers cash equivalents a short-term investment readily convertible into a known cash amount and subject to insignificant risk of change in value. Income from these investments is reinvested in the Institute's social activities or directly in specific projects when required by the funder, and is presented separately in the statement of surplus (deficit).

#### b) Marketable securities

Short-term investments are classified as financial assets held for trading, presented in the statement of financial position at fair value, with the corresponding gains or losses recognized in the statement of surplus (deficit). Such classification is due to Institute's intention to trade short-term investments should funds be needed to settle its obligations.

#### c) Donations receivable

These refer to agreements signed with donors whose receipt will occur in future years and are presented at their contractual value restated, when applicable, by the exchange differences for the period. At December 31, 2017 and 2016, Institute management did not record a provision for credit risk loss, because there is no expectation of non-receipt of these amounts.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting practices (Continued)

d) Funds for social projects

Funds for social projects correspond to the Institute's continuing obligations to invest funds from agreements signed with donors in the portfolio of social projects to be supported by the Institute and to carry out institutional activities restated, when applicable, by the exchange differences for the period.

e) Partnership funds and project and partnership funds

These correspond to transfer obligations in future years and rights to receive rendering of accounts of these funds, as provided for in the donation agreements entered into between the Institute and its partners, which are presented at their contractual value.

f) Property and equipment

These are recorded at acquisition, buildup or construction cost less accumulated depreciation.

Depreciation is calculated under the straight-line method at rates considering the estimated economic useful lives of assets.

A property, plant and equipment item is derecognized on disposal or when no future economic benefit is expected from its use or sale. Gains or losses, if any, arising therefrom are the difference between the net disposal proceeds and the book value of the asset, and are classified in the statement of surplus (deficit) for the year in which the asset is incurred.

The residual value and useful life of the assets and depreciation methods are reviewed at year-end and adjusted prospectively, as applicable.

g) Equity

It is represented by the net asset value of Instituto Clima e Sociedade - iCS plus annual surplus or deficit, as the case may be.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting practices (Continued)

#### h) Revenue recognition

##### *Operating revenue*

Revenues with restrictions record the funds received from agreements and focused on social activities developed by the Institute. These are recognized as an obligation of the Institute vis-à-vis donors and are initially recorded as liabilities. These obligations are recognized in a revenue account based on the actual realization of expenses.

Unrestricted revenues record the funds from the provision of services and voluntary contributions and donations. Revenues from voluntary donations are variable, there being no agreement between the parties related to the amount to be donated, and usually vary depending on the level of assistance that the donor is willing to offer to the Institute. As such, these revenues are only recognized when their realization is certain, i.e., they are recognized only when they are received. The impossibility of recognizing these revenues on an accrual basis is due to the Institute not having prior knowledge of the amounts that will be received; therefore, these donations are recognized when they are received. Revenue is not recognized if there is a significant uncertainty as to its collection.

##### *Finance income*

Finance income covers interest income on short-term investments and effect of exchange differences arising from foreign currency transactions. Interest income is recognized in surplus (deficit) through the effective interest method.

#### i) Tax liabilities and exemptions

The Institute, for its purpose and objectives and to meet the requirements of current legislation, is exempt from the Corporate Income Tax (IRPJ) and Social Contribution Tax on Net Profit (CSLL). Income and capital gains earned on short-term investments that, according to the tax rule, are withheld at source are not covered by the income tax exemption.

#### j) Current and noncurrent assets and liabilities

Assets are recognized in the statement of financial position when their future economic benefits are likely to flow to the Institute and their cost or value can be reliably measured.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting practices (Continued)

#### j) Current and noncurrent assets and liabilities (Continued)

Liabilities are recognized in the statement of financial position when the Institute has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Due to uncertainties with respect to their timing and amount, certain liabilities are estimated as incurred and recorded by means of a provision. The provisions are recorded based on the best estimate of the risk involved.

Current and noncurrent assets are stated at the amounts through which they would be realized, considering the monetary restatements according to the contractual conditions.

Current and noncurrent liabilities are recorded in settlement amounts considering each statement of financial position date, including accrued interest and monetary restatements, based on contractual conditions.

Assets and liabilities are classified as current when assets are realizable and liabilities are payable within the following twelve months.

#### k) Costs and expenses

##### *Social activity cost*

Expenses for carrying out social projects that are the subject of donation agreements entered into between the Institute and the grantees.

##### *Operating expenses*

Expenses related to personnel, services rendered, travel and lodging, administrative and other expenses necessary for maintaining the Institute.

##### *Finance costs*

Finance costs mainly cover bank fee and exchange difference costs. They are appropriated to surplus (deficit) as incurred or to the extent that benefits are transferred to the Institute on an accrual basis.



## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting practices (Continued)

l) Accounting judgments, estimates and assumptions

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities reported in the financial statements and their accompanying notes. Significant items subject to these estimates and assumptions include the economic useful life and residual value of property and equipment, impairment of assets, among others. The use of estimates and judgments is complex and considers various future projections and assumptions; therefore, the settlement of transactions can result in different estimated values. The Institute reviews its estimates and assumptions at least annually.

m) Change in accounting policies and restatement of financial statements

At December 31, 2016, the Institute had as accounting practice to recognize revenue and cost on a straight-line basis according to the duration of agreements entered into with donors and partners, regardless of the accrual period and realization/application of donations received.

At December 31, 2017, management, together with its directors, reviewed the accounting policies and concluded that, in order to meet the requirements established in ITG 2002, it would be necessary to change the revenue and cost recognition criteria of the Institute so that both were recognized when actually realized.

As such, the Institute is restating the financial statements for the year ended December 31, 2016, in accordance with CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors (paragraphs 41 and 42), originally approved by the Decision-Making Board on July 28, 2017, to apply retrospective adjustments arising from errors and accounting policies for the year, as presented below:

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 3. Summary of significant accounting practices (Continued)

#### m) Change in accounting policies and restatement of financial statements (Continued)

	2016 Stated	Rectification effects	2016 (Restated)
<b>Assets</b>			
<b>Current assets</b>			
Project and partnership funds	7,944	(2,870)	5,074
<b>Total current assets</b>	<b>7,944</b>	<b>(2,870)</b>	<b>5,074</b>
<b>Noncurrent assets</b>			
Project and partnership funds	724	265	989
<b>Total noncurrent assets</b>	<b>724</b>	<b>265</b>	<b>989</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Funds for social projects	7,762	5,807	13,569
Partnership funds	5,339	(265)	5,074
<b>Total current liabilities</b>	<b>13,101</b>	<b>5,542</b>	<b>18,643</b>
<b>Noncurrent liabilities</b>			
Partnership funds	724	265	989
<b>Total noncurrent liabilities</b>	<b>724</b>	<b>265</b>	<b>989</b>
<b>Equity</b>			
Net asset value	475	(441)	34
Surplus (deficit) for the year	8,157	(7,971)	186
	<b>8,632</b>	<b>(8,412)</b>	<b>220</b>
	2016 Stated	Rectification effects	2016 (Restated)
<b>Operating revenues</b>	<b>17,334</b>	<b>(5,366)</b>	<b>11,968</b>
<b>With restrictions</b>			
Social programs	18,979	(6,986)	11,993
Exchange gains (losses)	(1,645)	1,620	(25)
<b>Social activity cost</b>	<b>(6,494)</b>	<b>(2,605)</b>	<b>(9,099)</b>
Program activities	(6,494)	(2,605)	(9,099)
<b>Gross surplus (deficit)</b>	<b>11,074</b>	<b>(7,971)</b>	<b>3,103</b>
<b>Surplus for the year</b>	<b>8,157</b>	<b>(7,971)</b>	<b>186</b>

The amounts must be recorded in the opening balance, as they erroneously affected surplus (deficit) for 2017, since they must be recorded in 2016 or earlier. Accordingly, we must exclude them from 2017 and recognize them in the opening statement of financial position.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 4. Cash and cash equivalents

These include cash, current account balances, short-term investments and amounts in transit.

	<u>2017</u>	<u>2016</u>
Cash and banks	2	-
Short-term investments (i)	6,646	1,437
Amounts in transit (ii)	248	3,819
	<u>6,896</u>	<u>5,256</u>

(i) These are highly liquid short-term investments held at Banco Bradesco as automatic investments called Invest Plus.

(ii) Amounts in transit - donations received from international sources, whose foreign exchange contract procedures will be completed during the next fiscal year.

### 5. Marketable securities

	<u>2017</u>	<u>2016</u>
Short-term investments	5,574	4,482
	<u>5,574</u>	<u>4,482</u>

The Company structured its short-term investments in first-tier institutions through investments redeemable at any time without significant variation in value and yielding between 95% and 97% of CDI (Interbank Deposit Certificate), valued daily at Cetip (Brazil's OTC Clearing House).

These refer to funds that can be invested in Bank Deposit Certificates, and the finance income from such investments is reinvested in the Institute's social activities or directly in specific projects, at the funder's request.

### 6. Donations receivable

Funds from donations receivable for the performance of statutory activities arising from agreements are recognized in assets, matched against Institute's liability with donors and/or partners. These liabilities are recognized in surplus (deficit) accounts in accordance with the realization of expenses established in the agreement signed.

The amounts related to the donations of international funds are translated into Brazilian reais using the exchange rates on the effective dates of the agreements, incorporating the foreign exchange differences up to the statement of financial position closing date.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 6. Donations receivable (Continued)

The transfer of funds by the donor is subject to verification of the activities performed, which is carried out through periodic rendering of accounts and by presenting the audited financial statements.

The balance of this group is broken down as follows:

		2017	2016
Donations receivable - current assets		8,216	4,073
Donations receivable - noncurrent assets		7,110	-
		<b>15,326</b>	<b>4,073</b>

Description	Agreement	2017	2016
<b>Donations receivable - current assets</b>			
The Children's Investment Fund Foundation - CIFF (i)	1606-01318	4,962	-
OAK Foundation - OAK (vi)	OCAT 17-645	1,395	-
Climateworks Foundation - CWF (ii)	17-1077	1,373	-
The Children's Investment Fund Foundation - CIFF (iii)	1606-01319	466	-
European Climate Foundation - ECF (iv)	-	14	-
Deutsche Gesellschaft für International - GIZ (v)	832266011	6	-
OAK Foundation - OAK (v)	15-058	-	4,073
		<b>8,216</b>	<b>4,073</b>
<b>Donations receivable - noncurrent assets</b>			
The Children's Investment Fund Foundation - CIFF (i)	1606-01318	4,962	-
Climateworks Foundation - CWF (ii)	17-1077	1,373	-
OAK Foundation - OAK (vi)	OCAT-17-645	775	-
		<b>7,110</b>	<b>-</b>

Donations receivable are in the respective currencies and amounts shown below:

- (i) Agreement in dollars of US\$ 1,500 in 2018 and US\$ 1,500 in 2019.
- (ii) Agreement in dollars of US\$ 415 in 2018, US\$ 276 in 2019 and US\$ 139 in 2020.
- (iii) Agreement in dollars of US\$ 141.
- (iv) Agreement in euros of EUR\$ 4.
- (v) Agreement in dollars of US\$ 1,250.
- (vi) Agreement in reais.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 7. Project and partnership funds

Funds from the Institute's donations to partners are conditional and subject to the fulfillment of obligations under the agreements; therefore, the total amount of funds provided for in the agreement is appropriate on the date of commencement of the agreement.

The balance of this group is broken down as follows:

	2017	2016 (restated)
Project and partnership funds - current assets	6,545	5,074
Project and partnership funds - noncurrent assets	75	989
	<b>6,620</b>	<b>6,063</b>

#### Funds for projects and partnerships

Total funds provided for in the agreements, less the amounts transferred to partners. The balance reflects the amounts to be transferred.

Changes by agreement are as follows:

ID	Partners	Agreement		
		Balance payable 2016	Amount paid in 2017	Balance payable
	<b>2016 agreements</b>	<b>6,063</b>	<b>5,074</b>	989
G-16-00142	ABESCO - Ass.Bras.Empr. Conserv.Energia	60	60	-
G-16-00089	ANDI - Comunicação e Direitos	120	120	-
G-16-00038	Casa Fluminense	167	167	-
G-16-00013	CEBDS - Conselho Empr. Bras. Desenv. Sust.	120	120	-
G-16-00112	Cidade Ativa	375	125	250
G-16-00083	ENGJAMUNDO	50	50	-
G-16-00134	FGV - Fund. Getulio Vargas	100	100	-
G-16-00044	GREENPEACE Brazil	60	60	-
G-16-00043	IDEC - Inst. Defesa do Consumidor	250	250	-
G-16-00022	IEI - Int'l Energy Initiative	745	621	124
G-16-00023	IEMA - Inst. Energia e Meio Amb.	1,552	1,552	-
G-16-00041	ITDP - Inst. Pol. Transp.Desenv.	475	475	-
G-16-00046	LABMOB/PROURB/UFRJ	263	88	175
G-16-00015	OC - Observatorio do Clima	600	300	300
G-16-00017	PAINEL - Painei Bras. Mud.Clim.	175	175	-
G-16-00135	PPE/COPPE/UFRJ	85	85	-
G-16-00016	WRI - World ResourceInstitute	866	726	140

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 7. Project and partnership funds (Continued)

#### Funds for projects and partnerships (Continued)

ID	Partners	Agreement value/ Balance payable	Amount paid in	Balance payable
		2017	2017	
	<b>2017 agreements</b>	<b>12,435</b>	<b>6,804</b>	<b>5,631</b>
G-17-00151	BIKE ANJO	350	175	175
G-17-00154	ESC. ATIVISMO	301	151	150
G-17-00161	GBC	177	177	-
MG-17-00162	Alfredo Sirkis	36	36	-
MG-17-00163	Goitacá	60	60	-
G-17-00166	NOSSA BH	300	300	-
G-17-00169	ESCOLHAS	1,575	700	875
G-17-00170	CBC (Forum)	900	630	270
G-17-00171	ICV	320	320	-
G-17-00172	GCCA	250	150	100
G-17-00174	CBCS	350	175	175
MG-17-00177	CEBDS	6	6	-
G-17-00178	CentroClima (IES)	175	175	-
G-17-00179	CPI	340	170	170
G-17-00180	FUNDO CASA	180	180	-
G-17-00181	PURPOSE	250	125	125
MG-17-00182	EOS	45	45	-
MG-17-00183	ADHR (Conectas)	50	50	-
MG-17-00184	ISER	50	50	-
G-17-00185	CASA FLUMINENSE	290	145	145
G-17-00186	ITDP	999	500	499
G-17-00187	IDEC	900	500	400
G-17-00191	IPC	178	178	-
G-17-00192	IEMA	1,200	400	800
MG-17-00193	SUL21	30	30	-
G-17-00199	ENGAJAMUNDO	350	200	150
MG-17-00201	DIALOGO CHINO	45	22	23
G-17-00203	INESC	50	50	-
MG-17-00204	ANDI	110	110	-
G-17-00206	AOKA LABS	285	142	143
G-17-00211	CDP	340	170	170
G-17-00212	ISA	245	123	122
G-17-00214	SITAWI	200	100	100
MG-17-00217	AIDA	6	6	-
G-17-00222	IDESAM	143	113	30
G-17-00223	350.ORG	250	-	250
MG-17-00224	LAPPUS	30	30	-
G-17-00228	IIS	160	80	80
MG-17-00229	PUBLICA	12	12	-
MG-17-00230	MANDACARU	50	50	-
G-17-00234	IESP	268	-	268
MG-17-00239	LE MONDE	25	25	-
G-17-00242	CAPTAMOS	150	105	45
MG-17-00245	Network of Funds	48	24	24
MG-17-00249	Corrida Amiga	7	7	-
G-17-00247	WRI	342	-	342
MG-17-00219	COP Jornalismo	7	7	-
Total		<b>18,498</b>	<b>11,878</b>	<b>6,620</b>

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 8. Property and equipment and intangible assets

These represent the amounts and changes in Institute's assets for the year. The Institute understands that the depreciation rates applied are reasonably related to the useful lives of the assets:

	Annual depreciation rates	Net amount 12/31/2016	Acquisitions	Depreciation / amortization	Net amount 12/31/2017
IT	20%	54	12	(16)	50
Furniture and fixtures	10%	36	-	(4)	32
Machinery and equipment	10%	14	30	(4)	40
<b>Total property and equipment</b>		<b>104</b>	<b>42</b>	<b>(24)</b>	<b>122</b>
Intangible assets - software	20%	19	-	(5)	14
<b>Total intangible assets</b>		<b>19</b>	<b>-</b>	<b>(5)</b>	<b>14</b>

	Annual depreciation rates	Net amount 12/31/2015	Acquisitions	Depreciation / amortization	Net amount 12/31/2016
IT	20%	28	33	(7)	54
Furniture and fixtures	10%	32	8	(4)	36
Machinery and equipment	10%	17	-	(3)	14
<b>Total property and equipment</b>		<b>77</b>	<b>41</b>	<b>(14)</b>	<b>104</b>
Intangible assets - software	20%	24	-	(5)	19
<b>Total intangible assets</b>		<b>24</b>	<b>-</b>	<b>(5)</b>	<b>19</b>

Management did not identify changes in circumstances or any indication of technological obsolescence or evidence suggesting that its assets will not be recoverable based on the financial performance and concluded that a provision for loss on property and equipment was not needed.

### 9. Labor and social liabilities

	2017	2016
Accrued vacation pay and related charges	171	169
	<b>171</b>	<b>169</b>

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 10. Funds for social projects

Such funds are derived from donation agreements entered into with several national and international institutions, to be invested in the portfolio of social projects to be supported by the Institute and to carry out institutional activities.

The funds are recorded in liabilities at the total amount of the agreement entered into between the Institute and the institutional donor, net of amounts recorded in surplus (deficit) for the current period and exchange differences, when applicable. International funds are translated into the functional currency at the exchange rate prevailing on the initial date of the term of the donation, plus exchange differences up to the settlement date of such transactions.

The breakdown of the account balance by institutional donor is as follows:

Institutional donors	Balance in 2016 (restated)	Donations	Execution	Subtotal	Donations to be appropriated	Balances in 2017 to be executed
Arapyau	391	1,050	(1,062)	379	-	379
CIFF	295	5,103	(2,639)	2,759	10,390	13,149
PB SP Consulate	-	25	(25)	-	-	-
CWF	2,325	4,342	(4,061)	2,606	2,746	5,352
ECF	-	119	(78)	41	14	55
Embassy of Germany	-	223	(122)	101	-	101
GIZ	-	144	(150)	(6)	6	-
HEWLETT	3,377	3,273	(3,377)	3,273	-	3,273
LARCI LLC	221	-	(221)	-	-	-
OAK	6,960	1,385	(6,318)	2,027	2,170	4,197
Open Society	-	75	(75)	-	-	-
Porticus	-	742	-	742	-	742
<b>Total</b>	<b>13,569</b>	<b>16,481</b>	<b>(18,128)</b>	<b>11,922</b>	<b>15,326</b>	<b>27,248</b>
					Current liabilities	20,138
					Noncurrent liabilities	7,110
					<b>Total</b>	<b>27,248</b>

### 11. Partnership funds

Funds provided for in the donation agreements entered into between the Institute and the grantees. The amounts are represented by the total amount of the agreement signed, net of transfers.

The amounts to be transferred to projects and partnerships are commitments assumed based on an agreement entered into with the grantees. However, the release of funds is subject to compliance by the grantees with the obligations established in the contractual clauses.



## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 11. Partnership funds (Continued)

The balances are segregated between current and noncurrent liabilities according to the schedule of transfers to the grantees provided for in each signed agreement.

The breakdown of the amounts to be transferred to the grantees is as follows:

ID	Partners	Agreement value/ Balance payable 2017	Amount paid in 2017	Balance payable	Amount payable in 2018	Amount payable in 2019	Total
<b>2016 agreements</b>		<b>2,684</b>	<b>1,695</b>	<b>989</b>	<b>989</b>	<b>-</b>	<b>989</b>
G-16-00112	CIDADE ATIVA	375	125	250	250	-	250
G-16-00022	IEI - Int'l Energy Initiative	746	622	124	124	-	124
G-16-00046	LABMOB/PROURB/UFRJ	263	88	175	175	-	175
G-16-00015	OC - Observatório do Clima	600	300	300	300	-	300
G-16-00016	WRI - World ResourceInstitute	700	560	140	140	-	140
<b>2017 agreements</b>		<b>10,531</b>	<b>4,900</b>	<b>5,631</b>	<b>5,556</b>	<b>75</b>	<b>5,631</b>
G-17-00151	BIKE ANJO	350	175	175	175	-	175
G-17-00154	ESC. ATIVISMO	301	151	150	150	-	150
G-17-00169	ESCOLHAS	1,575	700	875	875	-	875
G-17-00170	CBC (Forum)	900	630	270	270	-	270
G-17-00172	GCCA	250	150	100	100	-	100
G-17-00174	CBCS	350	175	175	175	-	175
G-17-00179	CPI	340	170	170	170	-	170
G-17-00181	PURPOSE	250	125	125	125	-	125
G-17-00185	CASA FLUMINENSE	290	145	145	145	-	145
G-17-00186	ITDP	999	500	499	499	-	499
G-17-00187	IDEC	900	500	400	400	-	400
G-17-00192	IEMA	1,200	400	800	800	-	800
G-17-00199	ENGAJAMUNDO	350	200	150	150	-	150
MG-17-00201	DIALOGO CHINO	45	22	23	23	-	23
G-17-00206	AOKA LABS	285	142	143	143	-	143
G-17-00211	CDP	340	170	170	170	-	170
G-17-00212	ISA	245	123	122	122	-	122
G-17-00214	SITAWI	200	100	100	100	-	100
G-17-00222	IDESAM	143	113	30	30	-	30
G-17-00223	350.ORG	250	-	250	175	75	250
G-17-00228	IIS	160	80	80	80	-	80
G-17-00234	IESP	268	-	268	268	-	268
G-17-00242	CAPTAMOS	150	105	45	45	-	45
MG-17-00245	Network of Funds	48	24	24	24	-	24
G-17-00247	WRI	342	-	342	342	-	342
<b>Total</b>		<b>13,215</b>	<b>6,595</b>	<b>6,620</b>	<b>6,545</b>	<b>75</b>	<b>6,620</b>

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 12. Equity

a) Net asset value

The net asset value of the Institute is comprised of surpluses (deficits) of prior years approved by the Decision-Making Board.

b) Accumulated surplus

This refers to current year's surplus (deficit). After approval at the Meeting, these amounts are incorporated into the net asset value of the Institute, and any surplus will be reinvested in social objectives, as provided for in the bylaws.

### 13. Operating revenues

#### 13.1. Revenues with restriction

These refer to social programs, considered "with restriction" because they depend on the fulfillment of certain conditions established in the agreements to be appropriated to surplus (deficit) according to the accrual period. Donation revenues are as follows:

	<u>2017</u>	<u>2016</u> (restated)
Climate Works Foundation	4,061	6,091
Instituto Arapyau	1,062	809
OAK Foundation	6,318	1,905
Childrens Investment Fund Foundation	2,639	3,087
Latin America Regional Climate Initiative	221	-
The William and Flora Hewelett Foundation	3,377	38
Open Societ	75	-
GIZ in Brazil	150	-
ECF - European Climate Foundation	78	-
Consulate General of the Kingdom of the Netherlands in SP	25	-
Embassy of Germany	122	-
Porticus	-	63
	<u>18,128</u>	<u>11,993</u>

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 13. Operating revenues (Continued)

#### 13.2. Financial returns

	<u>2017</u>	<u>2016</u>
Financial returns	319	221
Finance costs	(11)	(46)
	<u>308</u>	<u>175</u>

#### 13.3. Exchange gains (losses)

	<u>2017</u>	<u>2016</u> (restated)
Exchange gains	2	-
Exchange losses	-	(25)
	<u>2</u>	<u>(25)</u>

#### 13.4. Revenues without restriction

Unconditional funds received from donations or voluntary contributions from partners and provision of services:

	<u>2017</u>	<u>2016</u>
Voluntary contributions and donations	9	1
Other revenues	13	-
Rendering of services	-	58
	<u>22</u>	<u>59</u>

### 14. Social activity cost

Expenses incurred with program activities established in social actions related to climate, electricity and urban mobility.

	<u>2017</u>	<u>2016</u> (restated)
Projects and partnerships (i)	(11,878)	(7,017)
Seminars and events	(168)	(97)
Third-party services	(1,654)	(545)
Human resources	(1,651)	(1,440)
	<u>(15,351)</u>	<u>(9,099)</u>

- (i) Project and partnership funds refer to donation agreements entered into between the Institute and the grantees and are subject to the fulfillment of obligations between the parties. The recognition of expenses was made based on the transfer of funds to the grantees, according to the agreements.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 15. Operating expenses

#### 15.1. Personnel expenses

	<u>2017</u>	<u>2016</u>
Compensation	(896)	(934)
Social charges	(306)	(409)
Benefits (i)	(153)	(46)
	<u>(1,355)</u>	<u>(1,389)</u>

(i) The most relevant amounts of benefits refer to healthcare and dental health plan expenses.

#### 15.2. Services provided

Expenses incurred with the engagement of services provided by individuals and legal entities, as shown in the table below:

	<u>2017</u>	<u>2016</u>
Services provided - Individuals	(29)	(43)
Services provided - Legal entities (i)	(240)	(521)
	<u>(269)</u>	<u>(564)</u>

(i) Expenses incurred with services provided by legal entities refer to consulting and/or advisory services, such as audit, accounting, legal advisory and IT, among others.

#### 15.3. Travel and lodging

Expenses incurred with tickets, lodging and other travel-related expenses, such as transportation, snacks and insurance, as shown in the table below:

	<u>2017</u>	<u>2016</u>
Air tickets	(222)	(236)
Lodging	(153)	(77)
Other travel expenses	(50)	(42)
	<u>(425)</u>	<u>(355)</u>

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 15. Operating expenses (Continued)

#### 15.4. General and administrative expenses

These refer to expenses for office maintenance and general activities, as shown in the table below:

	<u>2017</u>	<u>2016</u>
Infrastructure	(421)	(364)
Store and supplies	(91)	(142)
	<u>(512)</u>	<u>(506)</u>

#### 15.5. Tax expenses

The amount recorded refers to the Tax on Financial Transactions (IOF) on foreign exchange transactions from the donations received, to income tax (IR) on short-term investments, monetary restatements and exchange differences and to bank charges.

	<u>2017</u>	<u>2016</u>
Tax on Financial Transactions (IOF)	(89)	(27)
Income tax on investments	(63)	(57)
	<u>(152)</u>	<u>(84)</u>

### 16. Financial instruments

#### Financial risk management

##### *Overview*

The Institute is exposed to the following risks arising from the use of financial instruments:

The information below summarizes the Institute's exposure to each of the risks above, the Institute's purposes, policies and processes for measuring and managing risk and managing capital. Additional quantitative disclosures are included throughout these financial statements.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 16. Financial instruments (Continued)

#### Risk management structure

The Institute assesses the risks in its financial instruments and defines the appropriate and acceptable limits considering its operations and objectives.

#### *Market risk*

Market risk is the risk that changes in market prices, such as interest rates of short-term investments, influence the gains earned on the basis of its portfolio or the value of its holdings in financial instruments. The Institute manages market risks through short-term investments in low market risk funds and with low financial leverage, always in first-tier financial institutions.

#### *Currency risk*

Currency risk arises from the possibility of the Institute having its economic-financial statements impacted by exchange rate fluctuations.

The Institute has assets indexed to foreign currency, especially the US dollar and euro, arising from donations received by international organizations, which causes volatility in its surplus (deficit) and cash flow proportionally to exchange rate fluctuations.

#### *Credit risk*

Cash and cash equivalents presented in the table below represent the maximum credit exposure to these assets.

	<u>2017</u>	<u>2016</u>
Cash and banks	2	-
Short-term investments	6,646	1,437
Amounts in transit	248	3,819
	<u>6,896</u>	<u>5,256</u>

#### *Liquidity risk*

This refers to difficulties that the Institute may face to comply with obligations related to its financial liabilities, which are settled through cash payments or payments made with other financial assets. The purpose of the Institute's liquidity risk management is to ensure that the Institute has sufficient liquidity to meet its obligations falling due, under normal and stress conditions without causing unacceptable losses or risking the Institute's reputation.

## Instituto Clima e Sociedade

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### 16. Financial instruments (Continued)

#### Risk management structure (Continued)

##### *Liquidity risk* (Continued)

At December 31, 2017, the Company had short-term funds amounting to R\$12,470 (R\$9,738 in 2016). Below is the aging list of the Institute's financial liabilities, corresponding to the remaining period in the statement of financial position until the contractual maturity date. The amounts disclosed in the table consist of contractual undiscounted cash flows.

	<u>Within 1 year</u>
At December 31, 2017	
Trade accounts payable and other liabilities	<u>36</u>
	<u>36</u>
At December 31, 2016	
Trade accounts payable and other liabilities	<u>1</u>
	<u>1</u>

#### a) Market value of financial instruments

The balances of cash and cash equivalents (banks and short-term investments) and current liabilities (accounts payable) correspond to market value because the maturity occurs on a date close to the statement of financial position date.

#### b) Other types of financial instruments

The Institute did not carry out derivative financial instrument transactions for the year ended December 31, 2017.

### 17. Transactions with related parties

#### Key management personnel compensation

In order to be transparent, the Institute emphasizes that:

- (a) Mr. Leonardo Vieira Lacerda is a member of the Decision-Making Board and holds the position of Environment Program Officer at the OAK Foundation in Geneva, Switzerland. The OAK Foundation also finances Instituto Clima e Sociedade.
- (b) Mrs. Andreia Apponi is a member of the Decision-Making Board of Instituto Clima e Sociedade and holds the position of Executive Director of Instituto Arapyaú, which is one of the funders of the Institute.

## **Instituto Clima e Sociedade**

Notes to financial statements (Continued)  
December 31, 2017 and 2016  
(In thousands of reais, unless otherwise stated)

### **17. Transactions with related parties (Continued)**

Despite the relationship of key management personnel with the funders, it is worth noting that the bylaws of the Institute have non-compensation provisions for any Board members and members of existing boards. The Institute does not grant any type of compensation, advantage or benefit, directly or indirectly, in any way, by virtue of their powers, functions or activities attributed to them.