

Financial Statements

Instituto Clima e Sociedade

December 31, 2020
with Independent Auditor's Report

Instituto Clima e Sociedade

Financial Statements

December 31, 2020 and 2019

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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 policies adopted in Brazil, applicable to nonprofit organizations (ITG 2002 (R1))

Independent auditor's report on financial statements

To the Board of Directors 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 statement of financial position as at December 31, 2020 and the statements of surplus (deficit), of comprehensive surplus (deficit), of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting practices.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Instituto Clima e Sociedade as at December 31, 2020, and its financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil, applicable to nonprofit organizations (ITG 2002 (R1)).

Basis for opinion

We conducted our audit in accordance with 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 in accordance 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 provide a basis for our opinion.

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 the 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 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 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 and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded 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.




- Evaluated 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 scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

Rio de Janeiro, August 12, 2021.

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


Tatiana Martins
Contadora CRC-1RJ077127/O-9

Instituto Clima e Sociedade

Statements of financial position
December 31, 2020 and 2019
(In thousands of reais)

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents	4	15,232	5,457
Marketable securities	5	33,075	6,701
Receivables		102	122
Donations receivable	6	92,188	28,105
Project and partnership funds	7	20,106	10,393
		160,703	50,778
Noncurrent assets			
Donations receivable	6	1,039	-
Project and partnership funds	7	1,932	440
Property and equipment	8	173	147
Intangible assets	8	-	4
		3,144	591
Total assets			
		163,847	51,369
Liabilities and equity			
Current liabilities			
Accounts payable		13	114
Tax liabilities		11	13
Labor and social liabilities	9	580	535
Funds for social projects	10	137,785	38,537
Partnership funds	11	20,106	10,393
		158,495	49,592
Noncurrent liabilities			
Funds for social projects	10	1,039	-
Partnership funds	11	1,932	440
		2,971	440
Equity			
Net social capital value	12	1,337	865
Surplus for the year		1,044	472
		2,381	1,337
Total liabilities and equity			
		163,847	51,369

The accompanying notes are an integral part of these financial statements.

Instituto Clima e Sociedade

Statements of surplus (deficit)
 Years ended December 31, 2020 and 2019
 (In thousands of reais)

	Note	2020	2019
Operating revenues		<u>49,923</u>	36,568
With restrictions		<u>49,514</u>	36,384
Social programs	13.1	49,163	35,986
Financial returns	13.2	349	397
Exchange gains (losses)	13.3	2	1
Without restrictions	13.4	<u>409</u>	184
Other revenues		409	184
Social activity cost		<u>(43,407)</u>	(29,961)
Program activities	14	(43,407)	(29,961)
Gross surplus (deficit)		<u>6,516</u>	6,607
Operating expenses		<u>(5,692)</u>	(6,135)
Personnel expenses	15.1	(2,686)	(1,942)
Services rendered	15.2	(1,248)	(1,127)
Travel and lodging	15.3	(353)	(2,169)
General and administrative expenses	15.4	(1,024)	(814)
Tax expenses		(333)	(45)
Depreciation and amortization	8	<u>(48)</u>	(38)
Surplus for the year		<u>824</u>	472

The accompanying notes are an integral part of these financial statements.

Instituto Clima e Sociedade

Statements of comprehensive surplus (deficit)
Years ended December 31, 2020 and 2019
(In thousands of reais)

	<u>2020</u>	<u>2019</u>
Surplus for the year	824	472
Other comprehensive income (loss)	-	-
Comprehensive income(loss) for the year	<u>824</u>	<u>472</u>

The accompanying notes are an integral part of these financial statements.

Instituto Clima e Sociedade

Statements of changes in equity
Years ended December 31, 2020 and 2019
(In thousands of reais)

	Net asset value	Surplus / (Deficit)	Total Equity
Balances at December 31, 2018	587	278	865
Inclusion of surplus (Deficit)	278	(278)	-
Surplus for year		472	472
Balances at December 31, 2019	865	472	1,337
Incorporation of Surplus / (Deficit)	472	(472)	-
Adjustment from the previous year	-	220	220
Surplus for year	-	824	824
Balances at December 31, 2020	1,337	1,044	2,381

The accompanying notes are an integral part of these financial statements.

Instituto Clima e Sociedade

Statements of cash flows
 Years ended December 31, 2020 and 2019
 (In thousands of reais)

	2020	2019
Cash flow from operating activities		
Surplus for the year	824	472
Adjustments to reconcile surplus to cash flow from operating activities		
Depreciation/amortization	48	38
Adjusted surplus for the year	872	510
(Increase) decrease in assets		
Receivables	20	124
Increase in marketable securities	(26,374)	(1,403)
Donations receivable	(65,122)	(9,797)
Project and partnership funds	(11,205)	(416)
	(102,681)	(11,492)
Increase (decrease) in liabilities		
Labor, tax and social liabilities	43	233
Accounts payable	(101)	102
Funds for social projects	100,287	(3,644)
Increase in partnership funds	11,205	416
Adjustment from the previous year	220	-
	111,654	(2,893)
Net cash from operating activities	9,845	(13,875)
Cash flow from investing activities		
Acquisition of property and equipment and intangible assets	(70)	(66)
Net cash from investing activities	(70)	(66)
Increase (decrease) in cash and cash equivalents	9,775	(13,941)
Opening balance of cash and cash equivalents	5,457	19,398
Closing balance of cash and cash equivalents	15,232	5,457
Increase (decrease) in cash and cash equivalents	9,775	(13,941)

The accompanying notes are an integral part of these financial statements.

Instituto Clima e Sociedade

Notes to financial statements

December 31, 2020 and 2019

(In thousands of Brazilian reais - R\$, unless otherwise stated)

1. Social Context

Instituto Clima e Sociedade (“iCS” or “Institute”) is a nonprofit civil association under private law, located at Rua General Dionísio, n° 14 - parte, Humaitá - Rio de Janeiro - RJ, and registered with the Civil Registry of Legal Entities on May 11, 2015.

iCS is a philanthropic organization that raises funds and fosters projects that contribute to the development of climate crisis solutions. It is a bridge between funders (international and national foundations and bilateral cooperation institutions) and local partners.

iCS is part of a wide network of philanthropic organizations dedicated to building solutions to the climate crisis.

iCS draws action plans to address climate issues through a social lens. Therefore, it prioritizes measures that, in addition to reducing greenhouse gas (GHG) emissions, also generate improvements in the quality of life for society, especially for the most vulnerable.

The Institute's main activity is to make grants to foster projects and organizations that aim to:

- Build evidence that qualifies the debate and supports political and legal decision making
- Promote advocacy, campaigns and communication
- Promote spaces for interaction among various actors and sectors
- Employ legal tools that enforce climate norms, policies and commitments
- Foster the exchange of knowledge and experience on climate change between Brazil and the world

In addition, it is also dedicated to the engagement of society with the issue of climate change, implementation of its own projects and institutional capacity building of civil society organizations.

Mission

Strengthening the conditions that leverage enduring climate change mitigation and resilience practices.

Vision

Carbon neutral Brazil with economic growth and social justice, compatible with 1.5°C.

iCS actions focus on:

Energy

The portfolio's objective is to create conditions for a zero carbon power sector up to 2035.

Instituto Clima e Sociedade

Notes to financial statements (Continued)
December 31, 2020 and 2019
(In thousands of Brazilian reais - R\$, unless otherwise stated)

1. Social Context (Continued)

Low carbon economy

The portfolio's objective is to ensure that the private sector and the financial system accelerate the transition to a zero carbon economy, in line with the goals of the Paris Agreement.

Transport

The portfolio's objective is to promote zero emission transport systems in urban areas.

Climate policy

The portfolio's objective is to create conditions for the Executive and Legislative powers, at all levels, to defend the implementation of the goals of the Paris Agreement.

Land use and food systems

The portfolio's objective is to promote sustainable land use in the Legal Amazon, decoupling economic growth from deforestation.

Climate and Law

The portfolio's objective is to ensure that the judicial system plays a positive and assertive role in the implementation of the Paris Agreement in Brazil.

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.

The Institute's management authorized the issue of the financial statements on August 12, 2021.

Instituto Clima e Sociedade

Notes to financial statements (Continued)
December 31, 2020 and 2019
(In thousands of Brazilian reais - R\$, unless otherwise stated)

2. Basis of presentation (Continued)

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).

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.

Instituto Clima e Sociedade

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of Brazilian reais - R\$, unless otherwise stated)

3. Summary of significant accounting practices (Continued)

c) Donations/Grants 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, 2020, Institute management did not record a provision for credit risk loss, because there is no expectation of non-receipt of these amounts.

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 grant agreements entered 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 and equipment item is derecognized on disposal or when no future economic benefit is expected from its use. 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, 2020 and 2019

(In thousands of Brazilian reais - R\$, 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 grants are variable, there being no agreement between the parties related to the amount to be granted, 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 grants 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, 2020 and 2019
(In thousands of Brazilian reais - R\$, 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 grant 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, 2020 and 2019

(In thousands of Brazilian reais - R\$, 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.

4. Cash and cash equivalents

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

	<u>2020</u>	<u>2019</u>
Cash and banks	3,884	7
Short-term investments (i)	11,348	242
Amounts in transit (ii)	-	5,208
	<u>15,232</u>	<u>5,457</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>2020</u>	<u>2019</u>
Short-term investments	33,075	6,701
	<u>33,075</u>	<u>6,701</u>

The Institute 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.

Instituto Clima e Sociedade

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of Brazilian reais - R\$, unless otherwise stated)

6. Donations/Grants receivable

Funds from donations/grants 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 grants 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.

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:

Description	2020	2019
	92,188	28,105
Donations receivable - current assets	1,039	-
Donations receivable - noncurrent assets	93,227	28,105

Description	Agreement	2020	2019
Donations receivable - current assets			
The Children's Investment Fund Foundation - CIFF	R-1903-03673	61,108	-
CLASP	206134	478	-
British Embassy	-	110	-
Climateworks Foundation - CWF	17-1077	725	562
Climateworks Foundation - CWF	19-1482	-	81
European Climate Foundation - ECF	2004-03442	78	-
European Climate Foundation - ECF	19-02-02567	-	40
FILE Foundation	FF-GAO- 0041	-	2,821
The Foundation to Promote Open Society	OR2020-71550	3,638	-
GIZ - Deutsche Gesellschaft Für Internationale asammenarbeit	81252876	261	-
IKEA Foundation	G-1808-01174	5,198	9,672
MOTT Foundation	G-20183267	-	403
Oak Foundation	OCAT 17-645	-	775
Oak Foundation	18-593	6,979	6,979
Oak Foundation	OFIL 19-079	2,040	2,040
Oak Foundation	OFIL-20-166	469	-
Oak Foundation	OFIL-20-240	3,208	-
Rockefeller Philanthropy Advisors	-	102	-
Sequoia Climate Fund	15392	7,795	-
Smart Energy	-	-	702
The Willian and Flora Hewlett Foundation	2019-9938	-	4,030
		92,189	28,105

Instituto Clima e Sociedade

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of Brazilian reais - R\$, unless otherwise stated)

6. Donations receivable (Continued)

Description	Agreement	2020	2019
Donations receivable			
IKEA Foundation	G-1808-01174	1,039	-
		93,227	28,105

7. Project and partnership funds

Funds from the Institute's grants 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:

	2020	2019
Project and partnership funds - current assets	20,106	10,393
Project and partnership funds - noncurrent assets	1,932	440
	22,038	10,833

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.

Description	New agreements / balance payable	Amount paid in 2020	Amount payable in 2021	Amount payable in 2022
Agreements 2018	1,195	905	290	-
Agreements 2019	9,638	8,953	686	-
Agreements 2020	46,395	25,332	19,131	1,932
	57,228	35,190	20,107	1,932

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:

Instituto Clima e Sociedade

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of Brazilian reais - R\$, unless otherwise stated)

8. Property and equipment and intangible assets (Continued)

	Annual depreciation rates	Net amount 12/31/2019	Acquisitions	Depreciation / amortization	Net amount 12/31/2020
IT	20%	82	65	(33)	114
Furniture and fixtures	10%	35	2	(5)	32
Machinery and equipment	10%	30	3	(6)	27
		147	70	(44)	173
Intangible assets - software	20%	4	-	(4)	-
		4	-	(4)	-

	Annual depreciation rates	Net amount 12/31/2018	Acquisitions	Depreciation / amortization	Net amount 12/31/2019
IT	20%	50	55	(23)	82
Furniture and fixtures	10%	28	11	(4)	35
Machinery and equipment	10%	36	-	(6)	30
		114	66	(33)	147
Intangible assets – software	20%	9	-	(5)	4
		9	-	(5)	4

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

	2020	2019
Salaries	4	-
Accrued vacation pay and related charges	576	535
	580	535

10. Funds for social projects

Such funds are derived from grant agreements entered 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.

Instituto Clima e Sociedade

Notes to financial statements (Continued)

December 31, 2020 and 2019

(In thousands of Brazilian reais - R\$, unless otherwise stated)

10. Funds for social projects (Continued)

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 grant, 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 executed in Dec/19	Funds allocated	Execution	Balance 2020 to be executed
Arapyau	-	183	-	183
CIFF	600	87,028	(16,475)	71,153
CWF	2,801	2,392	(2,741)	2,451
ECF	39	787	(449)	376
GERMAN EMBASSY	89	146	(215)	20
BRITISH EMBASSY	-	110	-	110
FILE	3,932	799	(1,855)	2,876
GIZ	-	751	(308)	443
IKEA	9,785	5,580	(10,587)	4,778
HEWLETT	4,036	5,368	(4,234)	5,170
INSTITUTO HUMANIZE	-	183	-	183
MOTT FOUNDATION	875	171	(704)	341
Oak Foundation	14,910	7,657	(5,452)	17,116
SMART ENERGY	724	220	(945)	-
PISCES FOUNDATION	250	-	(250)	-
PORTICUS	-	862	(347)	515
RAINFOREST ALLIANCE	496	2,168	(2,396)	268
Rockefeller (CECG)	-	411	(67)	344
Walmart Foundation	-	11,326	(1,697)	9,629
Open Society Foundation	-	7,280	(441)	6,840
CLASP	-	478	-	478
Sequoia Climate Fund -	-	15,550	-	15,550
Total	38,537	149,450	(49,163)	138,824

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.

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Notes to financial statements (Continued)

December 31, 2020 and 2019

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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:

	New agreements / balance payable	Amount paid in 2020	Amount payable in 2021	Amount payable in 2022
2018 agreements	1,195	905	290	-
2019 agreements	9,638	8,953	686	-
2020 agreements	46,395	25,332	19,130	1,932
	57,228	35,190	20,106	1,932
			2020	2019
Partnership funds - current liabilities			20,106	10,393
Partnership funds - noncurrent liabilities			1,932	440
			22,038	10,833

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.

Adjustment from the previous year - refers to the credit Notes for part of the payments, made in 2019, of air tickets and accommodation for the participation of iCS staff and guests at the 25th UN Conference on Climate Change (COP 25), which would be hosted in Santiago, Chile, but due to a series of socio-economic protests, the Chilean government withdrew from hosting the COP25, with the event being transferred to Spain.

The RBC Travel and Tourism Agency, which intermediated the reservations, converted the amounts to be offset in future acquisitions into Credit Notes.

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Notes to financial statements (Continued)

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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. Grant revenues are as follows:

	2020	2019
Childrens Investment Fund Foundation	16,475	11,614
The William and Flora Hewlett Foundation	4,234	6,938
Oak Foundation	5,452	6,787
Rainforest Alliance	2,396	2,710
Climate Works Foundation	2,741	2,637
IKEA	10,588	2,335
Smart Energy for Europe	945	687
ECF - European Climate Foundation	449	495
PISCES Foundation	250	465
Mott Foundation	704	440
German Embassy	215	417
Arapyau Institute	-	155
Foundation for Internacional - FILE	1,855	148
Humanize Institute	-	100
Rockfeller Philantropy Advisors	67	-
Porticus	347	58
Foundation to Promote Open Society	440	-
Walmart Foundation	1,697	-
GLZ in Brazil	308	-
	49,163	35,986

13.2. Financial returns

	2020	2019
Financial returns	483	586
Finance taxes	(134)	(189)
	349	397

13.3. Exchange gains (losses)

	2020	2019
Exchange gains	310	2
Exchange losses	(308)	(1)
	2	1

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Notes to financial statements (Continued)

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13. Operating revenues (Continued)

13.4. Revenues without restriction

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

	<u>2020</u>	<u>2019</u>
Rendering of services	409	184
	<u>409</u>	<u>184</u>

14. Social activity cost

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

	<u>2020</u>	<u>2019</u>
Projects and partnerships (i)	(36,129)	(24,483)
Seminars and events	(10)	(34)
Third-party services	(4,020)	(2,882)
Human resources	(3,189)	(2,562)
Travel and lodging	(59)	-
	<u>(43,407)</u>	<u>(29,961)</u>

(i) Project and partnership funds refer to grant 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.

15. Operating expenses

15.1. Personnel expenses

	<u>2020</u>	<u>2019</u>
Compensation	(1,664)	(1,219)
Social charges	(588)	(417)
Benefits (i)	(434)	(306)
	<u>(2,686)</u>	<u>(1,942)</u>

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

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Notes to financial statements (Continued)

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15. Operating expenses (Continued)

15.2. Services rendered

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

	<u>2020</u>	<u>2019</u>
Services provided - Individuals	(151)	(39)
Services provided - Legal entities (i)	<u>(1,097)</u>	<u>(1,088)</u>
	<u>(1,248)</u>	<u>(1,127)</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 are recorded as shown in the table below:

	<u>2020</u>	<u>2019</u>
Air tickets	(167)	(874)
Lodging	(91)	(1,057)
Transportation and meal expenses	<u>(95)</u>	<u>(238)</u>
	<u>(353)</u>	<u>(2,169)</u>

15.4. General and administrative expenses

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

	<u>2020</u>	<u>2019</u>
Infrastructure	(681)	(559)
Store and supplies	<u>(343)</u>	<u>(255)</u>
	<u>(1,024)</u>	<u>(814)</u>

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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.

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.

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Notes to financial statements (Continued)

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16. Financial instruments (Continued)

Risk management structure (Continued)

Credit risk

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

	<u>2020</u>	<u>2019</u>
Cash and banks	3,884	7
Short-term investments	11,348	242
Amounts in transit	-	5,208
	<u>15,232</u>	<u>5,457</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.

As of December 31, the Institution held the following short-term funds:

	<u>2020</u>	<u>2019</u>
Short-term funds	11,348	12,158
	<u>11,348</u>	<u>12,158</u>

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>Less than a year</u>
At December 31, 2020	
Trade accounts payable and other liabilities	13
	<u>13</u>
At December 31, 2019	
Trade accounts payable and other liabilities	114
	<u>114</u>

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Notes to financial statements (Continued)
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16. Financial instruments (Continued)

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 due to maturity on a date close to that of the statement of financial position.

b) Other types of financial instruments

The Institute did not carry out derivative financial instrument transactions for the year ended December 31, 2020.

17. Transactions with related parties

Key management personnel compensation

The Board of Trustee members of the Institute are not remunerated, as provided for in the Bylaws. 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.

In order to be transparent, the Institute emphasizes that: Mr. Leonardo Vieira Lacerda was a member of the Decision-Making Board and held the position of Environment Director at the Oak Foundation in Geneva, Switzerland. The Oak Foundation also funds Instituto Clima e Sociedade.

18. Subsequent events

We are not aware of any event, subsequent to the closing date of the year until the authorization for the issuance of the financial statements, which may affect the equity and financial position, as well as the result for the period, preventing the institution's normal activities to continue.

Relevant facts

COVID-19: The institution, together with its members and collaborators, continues to do its part to prevent the spread of COVID-19.

Following the recommendations and guidelines of the Ministry of Health and also the State Government of Rio de Janeiro, the institution implemented measures in order to preserve and ensure the health and safety of its employees and collaborators. In this sense, since March 2020, it has been adopted the system of teleworking, cancellations of in-person events, reduction of travel, use of teleconference and videoconference technologies for internal and external meetings.

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18. Subsequent events (Continued)

Relevant facts (Continued)

Impacts of COVID-19 - Even with the unprecedented situation, the impact of the pandemic on the economy, the institution maintained its operations at stable levels, ensuring the normality of the activities planned for the year 2020.

Continuity of activities and effects of the COVID-19 pandemic - iCS did all procedures related to risk management and monitoring with the assistance of the structures in force, and the available information . After all this assessment, iCS did not identify any evidence of any events that could interrupt its operations in a predictable future.