

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

INSTITUTO CLIMA E SOCIEDADE

Independent auditor's report

Financial statements
As at December 31, 2021

INSTITUTO CLIMA E SOCIEDADE

Financial statements
As at December 31, 2021

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Board Members of
Instituto Clima e Sociedade
Rio de Janeiro - RJ

Opinion on the financial statements

We have audited the financial statements of Instituto Clima e Sociedade (the "Entity"), which comprise the statement of financial position as at December 31, 2021 and the respective statements of activities, comprehensive surplus, changes in net assets and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Instituto Clima e Sociedade, as at December 31, 2021, its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices applicable to non-profit entities (ITG 2002 (R1)) and small and medium-sized companies (CPC - PME), as issued by the Committee of Accounting Pronouncements ("CPC").

Basis for opinion on the financial statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Entity in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Council of Accounting (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Audit of previous year's amounts

The financial statements for the year ended December 31, 2020, presented for comparison purposes, were audited by other independent auditors whose report thereon, dated August 12, 2021, was unqualified.

Responsibilities of Management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Brazilian accounting practices applicable to non-profit entities (ITG 2002 (R1)) and small and medium-sized companies (CPC-PME), as issued by CPC, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and disclosures made by Management;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 consolidated 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 Entity to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.



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

Rio de Janeiro, June 29, 2022.



BDO RCS Auditores Independentes SS
CRC 2 SP 013846/F

Monika Marielle Du Mont Collyer

Monika Marielle Du Mont Collyer
Accountant CRC 1 RJ 091300/O-6

INSTITUTO CLIMA E SOCIEDADE

CNPJ (Corporate Tax ID) No. 22.428.410/0001-70

Statements of financial position As at December 31, 2021 and 2020

(In thousands of Brazilian Reais)

Assets				Liabilities and net assets			
	Note	2021	2020		Note	2021	2020
Current				Current			
Cash and cash equivalents	4	16,430	15,232	Accounts payable		141	13
Marketable securities	5	68,256	33,075	Tax liabilities		4	11
Receivables		772	102	Payroll and social charges	8	924	580
Donations receivable	6	49,545	92,188	Funds for social projects	9	129,077	137,785
Funds from projects and partnerships	7	39,449	20,106	Funds linked to partnerships	10	39,449	20,106
		<u>174,452</u>	<u>160,703</u>			<u>169,595</u>	<u>158,495</u>
Noncurrent				Noncurrent			
Donations receivable	6	37,730	1,039	Funds for social projects	9	37,730	1,039
Funds from projects and partnerships	7	3,172	1,932	Funds linked to partnerships	10	3,172	1,932
Fixed assets		231	173			<u>40,902</u>	<u>2,971</u>
		<u>41,133</u>	<u>3,144</u>				
Net assets				Net assets			
				Net assets	11	2,381	1,557
				Surplus/ (deficit) for the year		2,707	824
						<u>5,088</u>	<u>2,381</u>
Total assets		<u><u>215,585</u></u>	<u><u>163,847</u></u>	Total liabilities and net assets		<u><u>215,585</u></u>	<u><u>163,847</u></u>

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

Ana Amélia Campos Toni
CPF 084.742.118-08
Executive Director

Angelita Gonçalves Rangel
Accountant CRC/RJ 062.161-4

INSTITUTO CLIMA E SOCIEDADE

CNPJ No. 22.428.410/0001-70

Statements of activities

For the years ended December 31, 2021 and 2020

(In thousands of Brazilian Reais)

	Note	2021	2020
Operating revenue		71,695	49,923
Restricted		71,691	49,514
Social assistance programs	12.1	69,873	49,163
Financial revenues	12.2	1,165	349
Exchange rate gains (losses)	12.3	653	2
Unrestricted	12.4	4	409
Other revenues		4	409
Cost of social activities		(61,531)	(43,407)
Program activities	13	(61,531)	(43,407)
Gross surplus		10,164	6,516
Operating expenses		(7,457)	(5,692)
Personnel expenses	14.1	(4,090)	(2,686)
Services rendered	14.2	(1,319)	(1,248)
Travel and lodging	14.3	(814)	(353)
General and administrative expenses	14.4	(1,164)	(1,024)
Tax expenses		(20)	(333)
Depreciation and amortization		(50)	(48)
Surplus for the year		2,707	824

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

Ana Amélia Campos Toni
CPF 084.742.118-08
Executive Director

Angelita Gonçalves Rangel
Accountant CRC/RJ 062.161-4

INSTITUTO CLIMA E SOCIEDADE

CNPJ No. 22.428.410/0001-70

Statements of comprehensive surplus

For the years ended December 31, 2021 and 2020

(In thousands of Brazilian Reais)

	2021	2020
Surplus for the year	<u>2,707</u>	<u>824</u>
Other comprehensive surplus	<u>-</u>	<u>-</u>
Total comprehensive surplus for the year	<u><u>2,707</u></u>	<u><u>824</u></u>

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

Ana Amélia Campos Toni

CPF 084.742.118-08

Executive Director

Angelita Gonçalves Rangel

Accountant CRC/RJ 062.161-4

INSTITUTO CLIMA E SOCIEDADE

CNPJ No. 22.428.410/0001-70

Statements of changes in net assets (In thousands of Brazilian Reais)

	Net assets	Accumulated surplus/ (deficit)	Total net assets
Balances as at December 31, 2019	865	472	1,337
Appropriation of surplus/(deficit)	472	(472)	-
Prior year adjustments	-	220	220
Surplus for 2020		824	824
Balances as at December 31, 2020	1,337	1,044	2,381
Appropriation of surplus	824	(824)	-
Surplus for 2021	-	2,707	2,707
Balances as at December 31, 2021	2,161	2,927	5,088

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

Ana Amélia Campos Toni
CPF 084.742.118-08
Executive Director

Angelita Gonçalves Rangel
Accountant CRC/RJ 062.161-4

INSTITUTO CLIMA E SOCIEDADE

CNPJ No. 22.428.410/0001-70

Statements of cash flows For the years ended December 31, 2021 and 2020 (In thousands of Brazilian Reais)

	2021	2020
Cash flows from operating activities		
Surplus for the year	2,707	824
Adjustments to reconcile surplus to cash flows from operating activities		
Depreciation and amortization	50	48
Fixed and intangible asset write-offs	2	-
Adjusted surplus for the year	2,759	872
(Increase) decrease in assets		
Receivables	(670)	20
Increase in marketable securities	(35,181)	(26,374)
Donations receivable	5,952	(65,122)
Funds from projects and partnerships	(20,583)	(11,205)
	(50,482)	(102,681)
Increase (decrease) in liabilities		
Tax liabilities, payroll and social charges	337	43
Accounts payable	128	(101)
Funds for social projects	27,983	100,287
Increase in funds linked to partnerships	20,583	11,205
Prior year adjustment	-	220
	49,031	111,654
Net cash from operating activities	1,308	9,845
Cash flows from investing activities		
Acquisition of items (fixed and intangible assets)	(110)	(70)
Net cash from investing activities	(110)	(70)
Net increase in cash and cash equivalents	1,198	9,775
Cash and cash equivalents at beginning of year	15,232	5,457
Cash and cash equivalents at end of year	16,430	15,232
Net increase in cash and cash equivalents	1,198	9,775

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

Ana Amélia Campos Toni
CPF 084.742.118-08
Executive Director

Angelita Gonçalves Rangel
Accountant CRC/RJ 062.161-4

1. Operations

Instituto Clima e Sociedade (“ICS” or “Institute”) is a private civil association and nonprofit organization, located at Rua General Dionísio, nº 14 - parte, Humaitá - Rio de Janeiro (RJ), registered with the Brazilian National Registry of Legal Entities (CNPJ) on May 11, 2015.

ICS is a philanthropic organization that raises funds and supports projects and institutions that are dedicated to tackling climate change in Brazil. It works as a bridge between funders (Brazilian and international foundations and bilateral-cooperation institutions) and local partners, including civil society organizations, academia, associations and government entities. The Institute’s activities consist of managing grants, engaging society with the issue of climate change, implementing projects and training civil society organizations for institutional purposes. Accordingly, ICS establishes its four main actions:

- Building evidence;
- Promoting advocacy;
- Building spaces for interaction;
- Fostering knowledge and experience exchanges.

Mission

To strengthen the conditions that leverage lasting practices of mitigation and resilience to climate change.

Vision

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

ICS focuses its actions on:

Energy

Initiatives: I) Democratize and decentralize the electricity sector; II) Encourage new renewable energies (solar, wind and biomass); III) Promote energy efficiency, distributed generation and smart grid.

Low carbon economy

Initiatives: I) Generate evidence for decision making towards a low carbon economy; II) Redirect investments and subsidies; III) Expand the practice of good projects.

Transport

Initiatives: I) Engage civil society in the design, monitoring and execution of mobility policies; II) Deepen knowledge and debate on the economics of transport; III) Explore the relation between air quality and health with transport policies and technologies.

Communication and engagement & Climate policy

Initiatives: I) Support organizations to pressure, monitor and help Brazil to comply with the Nationally Determined Contribution (NDC); II) Monitor international climate policies; III) Seek the engagement of more agents for the climate agenda; IV) Promote discussions on climate change so that this matter may be part of the agenda of government officials in the Brazilian Congress.

Land use and food systems

The new Land Use and Food Systems portfolio aims to promote actions and incentives to more sustainable land use, in order to improve forest management and to reduce the environmental impacts of agriculture and food. The initiatives are being developed.

a) COVID-19

The Institute, along with its associates and employees, continues to do its part to prevent the spread of COVID-19 by following the recommendations and guidelines of the Ministry of Health and the State Government of Rio de Janeiro. The Institute has implemented measures to preserve and ensure the health and safety of its employees. Thus, since March 2020, the Institute has adopted remote work regime, cancelled in-person events, and reduced trips through the use of teleconferencing and videoconferencing technologies for internal and external meetings.

- COVID-19 impacts - The Institute maintained its operations at stable levels, ensuring the normality of activities planned for 2021 and resumed in-person activities, applying safety protocols for teams and employees;
- Continuity of activities and effects of the COVID-19 pandemic - In risk management and monitoring, supported by existing structures and the information available at the time of this assessment, Management did not identify evidence of any events that may interrupt its operations in the foreseeable future.

2. Basis of presentation

a) Statement of compliance

The financial statements were prepared and are being presented in accordance with Brazilian accounting practices applicable to Small and Medium-sized Companies - PME (Brazilian Federal Council of Accounting (CFC) Resolution No. 1.255/09 , NBC TG (R1) 1000 - Accounting for Small and Medium-sized Companies, which approved the Technical Pronouncement for PME issued by the Committee of Accounting Pronouncements (CPC)) and pursuant to CFC Resolution No. 1.409/12 of September 21, 2012, which approved ITG 2002 - Nonprofit entities, amended and consolidated as ITG 2002 (R1) on August 21, 2015.

The issue of these financial statements was authorized by the Institute's Management on June 29, 2022.

b) Functional and reporting currency

The Institute's Management defined the Brazilian Real as its functional currency, pursuant to the standards described in the technical pronouncement CPC PME - Accounting for Small and Medium-sized Companies (Section 30 - Effects on Changes in Exchange Rates and Translation of Financial Statements).

Foreign currency transactions, i.e., all transactions not conducted in the functional currency, are translated using the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the exchange rate as at the closing date.

Exchange rate gains from and losses on monetary assets and liabilities are recognized in the statement of activities.

3. Main accounting practices

a) Cash and cash equivalents

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments and not for investment or other purposes. Management considers cash equivalents to be financial investments readily convertible into a known amount of cash and subject to an insignificant risk of change in value. Revenues from these investments are reinvested in the Institute's social activities or directly in specific projects, when required by the funder, as highlighted in the statement of activities.

b) Marketable securities

Financial investments are classified as financial assets held for trading. They are presented in the statement of financial position at fair value plus corresponding gains or losses, recognized in the statement of activities. This classification arises from Management's intention to trade financial investments to the extent that there is a need for funds to settle its obligations.

c) Funds receivable

These refer to contracts entered into with funders. Their receipt will occur in future years and they are presented at their adjusted contractual value, plus exchange rate fluctuations in the period, if any. As at December 31, 2021, the Institute's Management did not set up an allowance for credit losses, as there is no expectation of not receiving these amounts.

d) Funds for social projects

Funds for social projects correspond to the Institute's current obligations to invest funds, from contracts entered into with funders, in the portfolio of social projects to be supported by the Institute and to carry out institutional activities, adjusted at exchange rate fluctuations for the period, if any.

e) Funds linked to grantees and funds from projects and partnerships

These correspond to the transfer obligations of future years and the rights to receive the rendering of accounts of these funds, as provided for in the grants contracts entered between the Institute and its grantees. They are presented at their contractual value.

f) Fixed assets

Fixed assets are stated at acquisition, formation or construction cost, less accumulated depreciation value.

Depreciation is calculated using the straight-line method and based on rates considering the estimated useful lives of said assets.

A fixed-asset item is written-off when it is sold or when no future economic benefit is expected from its use. Possible gains or losses resulting from the write-off (calculated as the difference between the net sales value and the book value of the asset) are included in the statement of activities of the respective year.

The residual value and useful life of assets and depreciation methods are reviewed at the end of each year and adjusted prospectively when necessary.

g) Net assets

These are represented by the net assets of Instituto Clima e Sociedade - ICS plus annual surplus or deficit, according to the year.

h) Revenue recognition

Operating revenue

Restricted revenues include the funds received, signed in contractual instruments and intended for social activities developed by the Institute. They are recognized as the Institute's obligations to funders and are initially accounted for in liabilities. These obligations are recognized in a revenue account as of the actual realization of expenses.

Unrestricted revenues include funds from service rendering and voluntary contributions and grants. Revenues from voluntary grants are variable, and there is no agreement between the parties on the amount to be donated. Usually, they vary according to the level of assistance that the funder is willing to offer to the Institute. Accordingly, these revenues are only recognized when they are certain to be realized, that is, they are recognized only when they are received. Since the Institute does not have prior knowledge of the amounts that will be received, it is impossible to recognize these grants on an accrual basis, therefore, they are recognized when they are received. Revenue whose realization is significantly uncertain is not recognized.

Financial revenues

Financial revenues comprise revenues from interest on financial investments and effects of exchange rate gains and losses arising from foreign-currency operations. Interest revenue is recognized in income using the effective interest rate method.

i) Tax exemptions and obligations

The Institute, for its purpose and objectives and for meeting the requirements of the legislation in force, enjoys exemption from Corporate Income Tax (IRPJ) and Social Contribution Tax (CSLL). Capital gains and returns earned on financial investments that are withheld at source, according to the tax rules, are not covered by the Income Tax exemption.

j) Current and noncurrent assets and liabilities

Assets are recognized in the statement of financial position only when it is probable that future economic benefits will be generated in favor of the Institute and its cost or value may be reliably determined.

Liabilities are recognized in the statement of financial position when the Institute has a legal obligation or as a result of a past event, and funds are likely to be necessary to settle the obligation. Some liabilities involve uncertainties concerning term and amounts. They are estimated as incurred and recorded as provisions. Provisions are recorded based on the best estimates of the risks involved.

Current and noncurrent assets are stated at the amounts in which they would be realized, considering monetary variations in accordance with contractual conditions.

Current and noncurrent liabilities are stated at the amounts at which they will be settled based on the reporting date, including accrued interest and monetary variations in accordance with contractual conditions.

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

k) Costs and expenses

Cost of social activities

These consist of expenses arising from the social projects that are the object of the grant contracts entered by the Institute and the grantees.

Operating expenses

These are expenses related to personnel, services rendered, travel and lodging, administration and other expenses necessary for the maintenance of the Institute.

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2021 and 2020

(In thousands of Brazilian Reais)

Financial expenses

Financial expenses mainly include expenses on bank fees and exchange rate losses. Financial expenses are recognized in surplus (deficit) on an accrual basis, when they are incurred or when benefits are transferred to the Institute.

l) Significant judgments, estimates and assumptions

The preparation of the financial statements in accordance with the Brazilian accounting practices requires Management to make judgments and estimates and adopt assumptions that affect the presented amounts of revenues, expenses, assets and liabilities reported in the financial statements and in their notes. Significant items subject to these estimates and assumptions include the useful life and residual value of fixed assets, recoverability of assets, among others. The use of estimates and judgments is complex and considers several assumptions and future projections and, therefore, the settlement of transactions may result in amounts different from estimated ones. The Institute reviews these estimates and assumptions at least once a year.

4. Cash and cash equivalents

These include cash, balances in bank checking accounts, financial investments and amounts in transit.

	<u>2021</u>	<u>2020</u>
Cash and banks	5,081	3,884
Financial investments (i)	8,838	11,348
Amounts in transit (ii)	2,511	-
	<u>16,430</u>	<u>15,232</u>

(i) These are financial investments of immediate liquidity, held at Banco Bradesco. They are automatic investments called Invest Plus;

(ii) Amounts in transit - these are funds transferred on 12/29/21 from Citibank international bank account No. 86171348 to Citibank Brasil account, whose credits were only received in January 2022.

5. Marketable securities

	<u>2021</u>	<u>2020</u>
Financial investments	68,256	33,075
	<u>68,256</u>	<u>33,075</u>

The Institute has structured its financial investments in top-tier financial institutions through investments that can be redeemed at any time without significant variation in value, and bear interest ranging from 95% to 97% of the Interbank Deposit Rate (CDI). They are evaluated daily at the Center for Custody and Financial Settlement of Securities (Cetip).

These refer to funds that are invested in Bank Certificates of Deposit (CDB), whose financial returns are reinvested in the Institute's social activities or directly in specific projects, when required by the financing agent.

6. Grants receivable

Funds from grants receivable, received from contracts entered into by the Institute and intended for the execution of activities established by its bylaws, are recognized in assets with an offsetting entry to an obligation to funders and/or partners. These obligations are recognized in accounts of the statement of activities according to the realization of expenses provided for in the contract entered into.

The amounts related to the grants of international funds are translated into Brazilian Reais, using the exchange rates on the effective dates of the contracts, including the exchange rate fluctuations occurred up to the reporting date.

The transfer of funds, by the funder, depends on proof of the activities carried out, which is obtained by sending the periodic rendering of accounts and presentation of audited financial statements.

The balance of this group breaks down as follows:

Description	2021	2020
Grants receivable - Current assets	49,545	92,188
Grants receivable - Noncurrent assets	37,730	1,039
	87,275	93,227

7. Funds from projects and partnerships

The funds from the Institute's grants to partners depend on and are subject to the fulfillment of obligations provided for in the contracts. Therefore, the total funds foreseen in the agreement are recognized on the initial date of the contract.

Notes to the financial statements

For the years ended December 31, 2021 and 2020

(In thousands of Brazilian Reais)

The balance of this group breaks down as follows:

	2021	2020
Funds from projects and partnerships - Current assets	39,449	20,106
Funds from projects and partnerships - Noncurrent assets	3,172	1,932
	<u>42,621</u>	<u>22,038</u>

Funds from projects and partnerships

These present the total funds committed in the contracts, less the amounts transferred to partners. The balance reflects the amounts to be transferred.

Description	Contract amount/ balance payable - 2021	Amount paid in 2021	Amount payable in 2022	Amount payable in 2023
Contracts of 2018	290	290	-	-
Contracts of 2019	686	686	-	-
Contracts of 2020	21,098	16,250	4,848	-
Contracts of 2021	65,850	28,077	34,601	3,172
	<u>87,923</u>	<u>45,302</u>	<u>39,449</u>	<u>3,172</u>

8. Payroll and social charges

	2021	2020
Wages	-	4
Provision for vacation pay and charges	924	576
	<u>924</u>	<u>580</u>

9. Funds for social projects

These are funds resulting from grant contracts entered with several Brazilian and international institutions, which are intended for investment in the portfolio of social projects to be supported by the Institute and for carrying out institutional activities.

The funds are recorded in liabilities at the total amount of the contract entered into by the Institute and the funder, less the amounts recognized in surplus (deficit) for the current period and exchange rate fluctuations, when applicable. Foreign funds are translated into the functional currency at the exchange rate in effect on the initial date of the grant term, plus exchange rate fluctuations occurred up to the settlement date of these transactions.

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements For the years ended December 31, 2021 and 2020 (In thousands of Brazilian Reais)

The breakdown of the balance per funder is presented below:

Funders	Unrealized balance in Dec/20	Funds recognized	Realization	Unrealized balance - 2021
Instituto Arapyaú de Educação e Desenvolvimento Sustentável - Arapyaú	183	300	(164)	319
Banco Itaú	-	400	-	400
Banco Bradesco	-	400	-	400
Banco Santander	-	380	-	380
The Children's Investment Fund Foundation - CIFF	71,153	4,374	(24,766)	50,761
ClimateWorks Foundation - CWF	2,451	2,900	(2,417)	2,934
European Climate Foundation - ECF	376	1,443	(1,015)	805
The German Embassy in Brazil	20	261	(238)	43
British Embassy	110	-	(110)	-
The Foundation for International Law for the Environment - FILE	2,876	2,131	(2,815)	2,191
Deutsche Gesellschaft für Internationale Zusammenarbeit - GIZ	443	13	(456)	-
Stichting Ikea Foundation	4,778	5,202	(4,222)	5,758
The William and Flora Hewlett Foundation	5,170	5,634	(5,168)	5,636
Instituto Humanize	183	-	(164)	19
The Charles Stewart Mott Foundation	341	1,078	(351)	1,068
OaK Foundation	17,116	32,367	(8,972)	40,511
Smart Energy For Europe Platform	-	2,959	(986)	1,973
The Stiftung Auxillium - Porticus	515	632	(300)	847
Rainforest Alliance, Inc.	268	-	(268)	0
Rockefeller Philanthropy Advisors	344	1,697	(256)	1,786
Walmart Foundation	9,629	-	(2,598)	7,031
The Foundation to Promote Open Society - OSF	6,840	7,845	(3,465)	11,220
CLASP	478	17	(448)	47
Sequoia Climate Fund	15,550	575	(6,432)	9,693
Stichting Wilde Ganzen	-	2,391	(1,357)	1,034
Quadrature Climate Foundation	-	24,858	(2,904)	21,954
TOTAL	138,824	97,856	(69,873)	166,807
Current liabilities	137,785	129,077		
Noncurrent liabilities	1,039	37,730		
Total	138,824	166,807		

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2021 and 2020

(In thousands of Brazilian Reais)

10. Funds linked to partnerships

These consist of funds provided for in grant contracts entered by the Institute and grantees. The amounts are represented by the total entered into in the contract, less transfers made.

The amounts to be transferred to projects and partnerships are commitments assumed in the contract with the grantees, however, the availability of funds is linked to the fulfillment, by the grantees, of the obligations established in the contractual clauses.

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

The amounts to be transferred to grantees break down as follows:

	<u>2021</u>	<u>2020</u>
Funds linked to partnerships - Current liabilities	39,449	20,106
Funds linked to partnerships - Noncurrent liabilities	3,172	1,932
	<u>42,621</u>	<u>22,038</u>

	<u>Contract amount/ balance payable - 2021</u>	<u>Amount payable in 2022</u>	<u>Amount payable in 2023</u>
Contracts of 2018	290	-	-
Contracts of 2019	686	-	-
Contracts of 2020	21,098	4,848	-
Contracts of 2021	65,850	34,601	3,172
	<u>87,923</u>	<u>39,449</u>	<u>3,172</u>

11. Net assets

a) Net assets

The Institute's net assets are composed of surplus (deficit) from previous years approved by the Board.

b) Accumulated surplus/deficit

These refer to surplus (deficit) for the current year. After these amounts are approved at Board's Meeting, they are appropriated to the Institute's net assets and possible surplus reinvested in the Institute's activities, as provided for in its bylaws.

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12. Operating revenue

12.1. Restricted revenues

These refer to social assistance programs, considered “restricted” as they depend on the fulfillment of certain conditions established in the contracts to be appropriated to surplus (deficit) according to the accrual period. Revenues from grant are as follows:

	2021	2020
The Children’s Investment Fund Foundation - CIFF	24,766	16,475
The William and Flora Hewlett Foundation	5,168	4,234
OaK Foundation	8,972	5,452
Rainforest Alliance, Inc.	268	2,396
ClimateWorks Foundation - CWF	2,417	2,741
Stichting Ikea Foundation	4,222	10,588
Smart Energy For Europe Platform	987	945
European Climate Foundation - ECF	1,015	449
Pisces Foundation	-	250
The Charles Stewart Mott Foundation	351	704
The German Embassy in Brazil	238	215
British Embassy	110	-
Instituto Arapyaú de Educação e Desenvolvimento Sustentável	164	-
CLASP	448	-
The Foundation for International Law for the Environment- FILE	2,815	1,855
Instituto Humanize	164	-
Rockfeller Philanthropy Advisors	256	67
The Stifung Auxillium - Porticus	300	347
The Foundation to Promote Open Society - OSF	3,465	440
Walmart Foundation	2,598	1,697
Deutsche Gesellschaft für Internationale Zusammenarbeit - GIZ	456	308
Quadrature Climate Foundation	2,904	-
Stichiting Wilde Ganzen	1,357	-
Sequoia Climate Fund	6,432	-
	<u>69,873</u>	<u>49,163</u>

12.2. Financial revenues, net

	2021	2020
Returns on financial investments	2,281	483
Withholding Income Tax (IRRF) on investments	(656)	(134)
Tax on Financial Transactions (IOF)	(460)	-
	<u>1,165</u>	<u>349</u>

12.3. Exchange rate gains (losses)

	2021	2020
Exchange rate gains	1,202	310
Exchange rate losses	(549)	(298)
	<u>653</u>	<u>2</u>

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12.4. Unrestricted revenues

These consist of the unconditioned funds, received from grants or voluntary contributions from partners and service rendering:

	<u>2021</u>	<u>2020</u>
Services rendered	4	409
	<u>4</u>	<u>409</u>

13. Cost of social activities

These present expenses on the program activities foreseen in the social actions of climate policy, electricity and urban mobility.

	<u>2021</u>	<u>2020</u>
Projects and partnerships (i)	(45,553)	(36,129)
Seminars and events	(1,947)	(10)
Third-party services	(9,324)	(4,020)
Human resources	(4,699)	(3,189)
Travel and lodging	(8)	(59)
	<u>(61,531)</u>	<u>(43,407)</u>

(i) Funds from projects and partnership refer to grant contracts entered by the Institute and the grantees and depend on the fulfillment of obligations by the parties. The expense was recognized based on the transfer of funds to the recipients, in accordance with the contracts.

14. Operating expenses

14.1. Expenses on personnel

	<u>2021</u>	<u>2020</u>
Compensation	(2,574)	(1,664)
Social charges	(871)	(588)
Benefits (i)	(645)	(434)
	<u>(4,090)</u>	<u>(2,686)</u>

(i) The most significant portion of the benefits refer to medical and dental plan expenses.

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14.2. Services rendered

These present expenses on services rendered by legal entities and natural persons, as stated in the following table:

	<u>2021</u>	<u>2020</u>
Services rendered - Natural persons	(5)	(151)
Services rendered - Legal entities (i)	<u>(1,314)</u>	<u>(1,097)</u>
	<u><u>(1,319)</u></u>	<u><u>(1,248)</u></u>

(i) Expenses on services rendered by Legal Entities refer to consulting and/or advisory services, such as auditing, accounting, legal and IT assistance, among others.

14.3. Travel and lodging

These consist of expenses on fares, lodging and other travel-related expenses, such as transportation, snacks and insurance, as shown in the following table:

	<u>2021</u>	<u>2020</u>
Air fares	(196)	(167)
Lodging	(593)	(91)
Other travel expenses	<u>(25)</u>	<u>(95)</u>
	<u><u>(814)</u></u>	<u><u>(353)</u></u>

14.4. General and administrative expenses

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

	<u>2021</u>	<u>2020</u>
Infrastructure	(634)	(681)
Consumption expenses	<u>(530)</u>	<u>(343)</u>
	<u><u>(1,164)</u></u>	<u><u>(1,024)</u></u>

15. Financial instruments

Financial risk management

Overview

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

The following information summarize the Institute's exposure to each of the abovementioned risks, the Institute's objectives, policies, and processes to measure and manage risk and capital. Additional quantitative disclosures are included in these financial statements.

Risk management structure

The Institute evaluates the risks of its financial instruments and defines which limits are appropriate and acceptable considering their operations and objectives.

Market risk

Market risk is the risk that market price changes, such as financial investment interest rates, affect the Institute's gains due to its portfolio or the amount of its interest in financial instruments. The Institute manages market risks through financial investments in low-risk market funds and with low financial leverage, always with top-tier financial institutions.

Foreign exchange risk

Foreign exchange risk arises from the possibility that exchange rate fluctuations will affect the Institute's financial statements.

The Institute has assets indexed to foreign currency, especially US Dollar and Euro, arising from grants received by foreign entities. This situation causes volatility in its surplus (deficit) and in its cash flows proportional to the exchange rate fluctuations.

Credit risk

The amounts of cash and cash equivalents presented in the following table represent the maximum credit to which these assets are exposed.

	<u>2021</u>	<u>2020</u>
Cash and banks	7,592	3,884
Financial investments	<u>8,838</u>	<u>11,348</u>
	<u>16,430</u>	<u>15,232</u>

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Liquidity risk

It results from the possibility of the Institute having difficulties to comply with the obligations associated to its financial liabilities settled through payments in cash or in other financial assets. The Institute's approach to the management of this risk is to guarantee enough liquidity to meet its obligations at maturity, under regular or unusual conditions, with no unacceptable losses or risking the Institute's reputation.

As at December 31, 2021, the Institute had the following amounts of short-term funds:

	<u>2021</u>	<u>2020</u>
Financial investments	8,838	11,348
	<u>8,838</u>	<u>11,348</u>

The following table analyzes the Institute's financial liabilities, by maturity range corresponding to the remaining period from reporting date to the contractual maturity date. Amounts disclosed in the following table consist of undiscounted cash flows contracted.

	<u>Less than one year</u>
As at December 31, 2021	
Trade accounts payable and other liabilities	141
	<u>141</u>
As at December 31, 2020	
Trade accounts payable and other liabilities	13
	<u>13</u>

a) Market value of financial instruments

The balances of cash and cash equivalents (banks and financial investments) and current liabilities (accounts payable) correspond to the market value since maturity occurs close to the reporting date.

b) Other types of financial instruments

The Institute did not enter into derivative financial instruments in the years ended December 31, 2021 and 2020.

16. Related-party transactions

Management compensation

The members of the Institute's Boards do not receive any compensation, as provided for in the Bylaws. The Institute does not offer any compensation, advantage or benefits, directly or indirectly, in any form, based on the skills, functions or activities attributed to them.

In order to promote transparency, the Institute states that Mr. Leonardo Vieira Lacerda was on the Deliberative Board until November 2021 and held the position of Director of the Environment Program at Oak Foundation in Geneva, Switzerland. Oak Foundation is also a financing agent of Instituto Clima e Sociedade.

17. Insurance in effect

Assets, interest and liabilities are covered in amounts deemed sufficient by Management to cover possible losses. In 2021, the Entity's corporate insurance amounts to R\$600.

18. Voluntary work

As established by paragraph 19 of ITG 2002, voluntary work must be recognized at the fair value of the service rendering as if the financial disbursement had occurred. In 2021 and 2020, the Entity did not render this type of service.

19. Subsequent events

We are not aware of any event, subsequent to the year-end date up to the date of authorization for the issue of the Financial Statements, which may affect the financial position and surplus for the period, preventing the going concern of the Institute.