

(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, 2023**

INSTITUTO CLIMA E SOCIEDADE

**Financial statements
As at December 31, 2023**

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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, 2023 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 material accounting policies and other explanatory information.

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, 2023, 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.

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 27, 2024.



BDO RCS Auditores Independentes SS Ltda.
CRC 2 SP 013846/F

A handwritten signature in blue ink that reads 'Rafael Favacho'.

Rafael Favacho Pereira da Silva
Accountant CRC RJ 106634/0-3

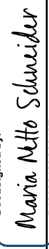
INSTITUTO CLIMA E SOCIEDADE - ICS

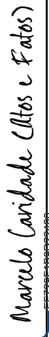
(CNPJ (Corporate Tax ID) No. 22.428.410/0001-70)

Statements of financial position As at December 31, 2023 and 2022 (In thousands of Brazilian Reals)

Assets	Note	2023		2022	
Current					
Cash and cash equivalents	4	131,509	72,599		818
Marketable securities	5	14,561	13,234		383
Receivables		277	360		1,553
Donations receivable	6	64,485	64,192		136,856
Funds from projects and partnerships	7	37,563	45,862		45,862
		248,395	196,247		185,472
Noncurrent					
Donations receivable	6	98,024	1,803		1,803
Funds from projects and partnerships	7	1,220	1,943		1,943
Fixed assets	8	624	440		3,746
		99,868	4,186		
Total assets		348,263	200,433		
Liabilities and net assets					
Current					
Accounts payable			440		
Tax liabilities			70		
Payroll and social charges	9		1,122		
Funds for social projects	10		189,947		
Funds linked to partnerships	11		37,563		
			229,142		
Noncurrent					
Funds for social projects	10		98,024		
Funds linked to partnerships	11		1,220		
			99,244		
Net assets					
Net assets			11,227		5,038
Surplus for the year			8,650		6,177
			19,877		11,215
Total liabilities and net assets		348,263	200,433		200,433

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

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 Maria Netto Schneider
 D1308816028048E... Maria Eugenia Netto De Assis Carvalho Schneider
 CPF 129.162.688-39
 Executive Director

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 Marcelo Caridade Altos e Fatos
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 Accountant CRC/RJ 116408/O-6

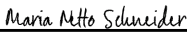
INSTITUTO CLIMA E SOCIEDADE - ICS


CNPJ No. 22.428.410/0001-70

Statements of activities
For the years ended December 31, 2023 and 2022
(In thousands of Brazilian Reais)

	Note	2023	2022
Operating revenue		<u>129,412</u>	<u>137,998</u>
Restricted		<u>127,658</u>	<u>137,489</u>
Social assistance program	13.1	123,560	133,286
Financial income	13.2	4,098	4,203
Unrestricted		<u>1,754</u>	<u>509</u>
Other revenues	13.3	1,754	509
Cost of social activities		<u>(106,818)</u>	<u>(118,546)</u>
Program activities	14	(106,818)	(118,546)
Gross surplus		<u>22,594</u>	<u>19,452</u>
Operating expenses		<u>(13,944)</u>	<u>(13,275)</u>
Personnel expenses	15.1	(7,419)	(5,043)
Services rendered	15.2	(4,732)	(6,360)
Travel and lodging	15.3	(193)	(404)
General and administrative expenses	15.4	(1,415)	(1,386)
Tax expenses	15.5	(4)	-
Depreciation and amortization	8	(131)	(82)
Income from (loss on) fixed assets	8	(50)	
Surplus for the year		<u><u>8,650</u></u>	<u><u>6,177</u></u>

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

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 Maria Eugenia Netto De Assis Carvalho Schneider
 CPF 129.162.688-39
 Executive Director

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 Marcelo Alves Caridade
 Accountant CRC/RJ 116408/O-6

INSTITUTO CLIMA E SOCIEDADE - ICS

CNPJ No. 22.428.410/0001-70

Statements of comprehensive surplus For the years ended December 31, 2023 and 2022 (In thousands of Brazilian Reais)

	2023	2022
Net surplus for the year	8,650	6,177
Other comprehensive surplus	-	-
Total comprehensive surplus for the year	<u>8,650</u>	<u>6,177</u>

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

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Maria Netto Schneider

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Maria Eugenia Netto De Assis Carvalho Schneider

CPF 129.162.688-39

Executive Director

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Marcelo Caridade (Cltos e Fatos)

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Marcelo Alves Caridade

Accountant CRC/RJ 116408/O-6

INSTITUTO CLIMA E SOCIEDADE - ICS

CNPJ No. 22.428.410/0001-70

Statements of changes in net assets
For the years ended December 31, 2023 and 2022
(In thousands of Brazilian Reais)

	Net assets	Accumulated surplus/ (deficit)	Total net assets
Balances as at December 31, 2021	2,381	2,707	5,088
Appropriation of surplus / (Deficit)	2,707	(2,707)	-
Prior year adjustments	(50)	-	(50)
Net surplus for 2022	-	6,177	6,177
Balances as at December 31, 2022	5,038	6,177	11,217
Appropriation of surplus	6,177	(6,177)	-
Prior year adjustments	10	-	10
Net surplus for 2023	-	8,650	8,650
Balances as at December 31, 2023	11,225	8,650	19,877

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

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Maria Eugenia Netto De Assis Carvalho Schneider

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Executive Director

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Marcelo Alves Caridade

Accountant CRC/RJ 116408/O-6

INSTITUTO CLIMA E SOCIEDADE - ICS

CNPJ No. 22.428.410/0001-70

Statements of cash flows**For the years ended December 31, 2023 and 2022****(In thousands of Brazilian Reais)**

	2023	2022
Cash flows from operating activities		
Net surplus for the year	8,650	6,177
Adjustments to reconcile surplus with cash flows from operating activities:		
Depreciation and amortization	131	82
Fixed and intangible asset write-offs	50	
Adjusted surplus for the year	8,831	6,259
(Increase) decrease in assets		
Receivables	83	412
Increase in marketable securities	(1,326)	55,022
Donations receivable	(96,514)	21,280
Funds from projects and partnerships	9,022	(5,184)
	(88,735)	71,530
Increase/(decrease) in liabilities		
Tax liabilities, payroll and social charges	(744)	1,008
Accounts payable	(378)	677
Funds for social projects	149,312	(28,148)
Increase in funds linked to partnerships	(9,021)	5,184
Prior year adjustment	10	(50)
	139,179	(21,329)
Net cash from operating activities	59,275	56,460
Cash flows from investing activities		
Acquisition of items (fixed assets)	(365)	(291)
Net cash from investing activities	(365)	(291)
Net increase in cash and cash equivalents	58,910	56,169
Initial balance of cash and cash equivalents	72,599	16,430
Final balance of cash and cash equivalents	131,509	72,599
Net increase in cash and cash equivalents	58,910	56,169

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

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 Executive Director

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Marcelo Caridade (Altos e Fatos)

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Marcelo Alves Caridade
 Accountant CRC/RJ 116408/O-6

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2023 and 2022

(In thousands of Brazilian Reais)

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 under number 265.126.

iCS supports projects and institutions dedicated to facing climate change in all regions of Brazil. Much more than a financing agent, iCS promotes dialogue between sectors, aggregates knowledge and establishes information, intelligence and cooperation networks, in a combination of strategies to promote greater Brazilian ambition in the climate agenda.

iCS was created in 2015, the same year as the Paris Agreement. Its function from the beginning has been to finance and catalyze the climate agenda in Brazil. The Institute embraces its mission with practical and strategic work, bringing to Brazil resources from major international funders - and raising support from Brazilian funders - to support various local agents who fight for Brazil in order to avoid the negative impacts of global warming. Much more than a financial intermediary, iCS promotes dialogue between the sectors, adds knowledge and establishes networks of information, intelligence and cooperation, aiming to achieve the well-being of the population.

iCS and its grantees are dedicated to:

- Knowledge, evidence, and proposals that qualify and instrumentalize public policies and political and legal decision-making;
- Training of stakeholders to engage in the climate debate;
- Technical assistance to implement climate goals and commitments;
- Advocacy, campaigns and engagement of public opinion to promote the climate agenda;
- Strengthening of the legal ecosystem within the framework of the climate agenda;
- International coordination that can accelerate climate actions;
- Monitoring, evaluation and watchdog of climate policies and their implementation; and
- Spaces/forums for qualified and plural dialogue.
-

In general, we are working in the search for four types of outcomes:

- Public policies compatible with climate ambition;
- Incentives, instruments and resources for the low carbon economy;
- Robust climate ecosystem, with strengthened civil society and better interaction between different sectors; and
- Implementation of climate actions.

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2023 and 2022

(In thousands of Brazilian Reais)

To achieve these results, iCS has four work segments. iCS teams are integrated into a transversal and multidisciplinary professional routine, with an emphasis on cooperation and dialogue. Our 4 work segments, with their strategic objectives, allow and guarantee this interaction, with greater efficiency in the processes. They are:

- Land use transition, food systems and sociobioeconomy
- Energy, industrial and transport transition
- Climate policy and institutional framework
- Agents of change for climate action

Mission

To contribute so that Brazil reaches its potential for reducing emissions by 66% in 2030

Vision

Carbon negative Brazil with economic growth and social justice by 2100, compatible with 1.5 °C.

2. Basis of presentation

The main accounting policies used in preparing these financial statements are as described below. They were applied in accordance with all presented years.

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 Brazilian accounting principles comprise those included in Brazilian corporate law and the technical pronouncements, orientations and interpretations issued by the Committee of Accounting Pronouncements (CPC) and approved by the Federal Council of Accounting (CFC).

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2023 and 2022

(In thousands of Brazilian Reais)

The issue of these financial statements was authorized by the Institute's Management on June 27, 2024.

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. Material accounting policies

The financial statements have been prepared in accordance with the following Brazilian 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.

INSTITUTO CLIMA E SOCIEDADE**Notes to the financial statements****For the years ended December 31, 2023 and 2022****(In thousands of Brazilian Reais)**

c) Donations 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, 2022, 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 into 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 or even when it is donated. 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.

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2023 and 2022

(In thousands of Brazilian Reais)

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.

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2023 and 2022

(In thousands of Brazilian Reais)

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 into by the Institute and its 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.

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.

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2023 and 2022

(In thousands of Brazilian Reais)

m) New standards, amendments and interpretations

The Instituto has verified the new standards that will be effective for fiscal years started after January 1, 2023, which are not being early adopted by the Institute and that are not expected to have a significant impact on the financial statements when they become effective. These main amendments are summarized below:

- **NBC TG 1001 - accounting for small businesses:** applicable for annual periods on or after January 1, 2023, early adoption allowed;
- **NBC TG 1002 - accounting for micro-entities:** applicable for annual periods on or after January 1, 2023, early adoption allowed.

4. Cash and cash equivalents

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

	<u>2023</u>	<u>2022</u>
Cash and banks	15,372	3,720
Financial investments (i)	79,590	14,372
Amounts in transit (ii)	36,547	54,507
	<u><u>131,509</u></u>	<u><u>72,599</u></u>

- (i) These are financial investments of immediate liquidity, in Bank Certificates of Deposit (CDB), a conservative fixed-income product;
- (ii) Amounts in transit are the resources received from funders in foreign currency whose conversion into Reais (exchange rate closing) took place in 2024.

5. Marketable securities

	<u>2023</u>	<u>2022</u>
Financial investments (i)	14,561	13,234
	<u><u>14,561</u></u>	<u><u>13,234</u></u>

- (i) These are investments in CDBs with the purpose of reinvesting financial revenues from investments in the Institute's social activities, or when required by financing agent, these revenues are directly allocated to specific projects.

The Instituto 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 99% to 101% of the Interbank Deposit Rate (CDI). They are daily evaluated at the Center for Custody and Financial Settlement of Securities (Cetip).

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements

For the years ended December 31, 2023 and 2022

(In thousands of Brazilian Reais)

6. Donations 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	2023	2022
Donations receivable - current assets	64,485	64,192
Donations receivable - noncurrent assets	98,024	1,803
	162,509	65,995

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.

The balance of this group breaks down as follows:

	2023	2022
Funds from projects and partnerships - current assets	37,563	45,862
Funds from projects and partnerships - noncurrent assets	1,220	1,943
	38,783	47,805

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	Amount paid in 2023	Amount payable in 2024	Amount payable in 2025
Contracts of 2020	80	80	-	-
Contracts of 2021	7,687	7,615	72	-
Contracts of 2022	40,038	34,598	5,440	-
Contracts of 2023	67,636	34,365	32,051	1,220
	115,441	76,658	37,563	1,220

INSTITUTO CLIMA E SOCIEDADE**Notes to the financial statements
For the years ended December 31, 2023 and 2022
(In thousands of Brazilian Reais)****8. Fixed assets**

	Annual depreciation rates	Net value 12/31/2022	Acquisitions	Write-offs	Depreciation/ amortization	Net value 12/31/2023
Information Technology	20%	334	233	(36)	(107)	424
Furniture and fixtures	10%	57	71	-	(14)	114
Machinery and equipment	10%	49	61	(14)	(10)	86
		440	365	(50)	(131)	624

	Annual depreciation rates	Net value 12/31/2021	Acquisitions	Write-offs	Depreciation/ amortization	Net value 12/31/2022
Information Technology	20%	183	223	-	(72)	334
Furniture and fixtures	10%	25	38	-	(6)	57
Machinery and equipment	10%	23	30	-	(4)	49
		231	291	-	(82)	440

Reduction to the recoverable value of assets (impairment)

The Institute periodically evaluates the fixed assets with the purpose of evidence that may lead to losses in the non-recoverable value of these assets, or also, when significant events or changes indicate that the book value may not be recoverable.

If it is identified that the book value exceeds recoverable value, this loss is recognized in income (loss) for the period. So far, there are no indications of impairment of the Institute's assets.

INSTITUTO CLIMA E SOCIEDADE**Notes to the financial statements****For the years ended December 31, 2023 and 2022****(In thousands of Brazilian Reais)**

9. Payroll and social charges

	2023	2022
Provision for vacation pay and payroll charges	<u>1,122</u>	<u>1,553</u>
	<u>1,122</u>	<u>1,553</u>

10. 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.

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The breakdown of the balance per funder institution is presented below:

Funders	Unrecognized balance in Dec/22	Recognized funds	Exchange rate gains (losses)	Realization	Unrecognized balance in 2023
INSTITUTO ARAPYAU	18	-	-	18	-
BANCO SANTANDER	62	-	-	-	62
CHILDREN'S INVESTMENT FUND FOUNDATION CIFF	26,137	104,920	(1,029)	25,953	104,075
CLASP	47	-	-	47	-
CLIMATE LAND USE ALLIANCE CLUA	26,088	201	1,261	4,020	23,530
CLIMATEWORKS FOUNDATION CWF	3,352	4,865	94	2,600	5,711
EUROPEAN CLIMATE FOUNDATION ECF	1,692	6,955	(141)	1,490	7,016
GERMANY EMBASSY	45	157	-	202	-
FOUNDATION FOR INTERN. LAW FOR ENVIRONMENT FILE	9,718	-	(485)	5,266	3,967
FOUNDATION FOR DEMOCRACY & PLURALISM FD&P	766	-	-	524	242
THE WILLIAM AND FLORA HEWLETT FOUNDATION	9,343	379	(50)	8,849	823
STICHTING IKEA FOUNDATION	7,641	-	163	6,330	1,474
INSTITUTO HUMANIZE	18	-	-	18	-
MOTT FOUNDATION	261	797	8	261	805
OAK FOUNDATION	33,500	-	11	17,437	16,074
OPEN SOCIETY FOUNDATION	3,178	8,524	(16)	6,405	5,281
PORTICUS	4,773	-	(65)	4,316	392
QUADRATURE CLIMATE FOUNDATION	3,972	-	(323)	3,649	-
RAINFORREST ALLIANCE	-	-	-	-	-
ROCKEFELLER (CECG-CLIMATE EMERGENCY COLLAB. GROUP)	530	-	-	530	-
SEQUOIA CLIMATE FOUNDATION	37	33,651	837	7,300	27,225
AGORA ENERGIEWENDE (SMART ENERGY)	482	-	(30)	452	-
THE NATURE CONSERVANCY TNC	68	-	-	68	-
NATURE FINANCE	-	37	-	37	-
WALMART FOUNDATION	4,086	-	-	3,586	500
OCCASIONAL DONATIONS	1,565	-	65	1,630	-
BEZOS EARTH FUND	-	30,337	(1,098)	-	29,239
INSTITUTO IBIRAPITANGA	-	90	-	90	-
ASSOCIACAO SAMAMBAIA FILANTROPIAS	-	50	-	50	-
INSTITUTO ITAUSA.	-	3,800	-	-	3,800
THE LEMELSON FOUNDATION	-	5,056	(20)	2,300	2,736
OCEANKIND	-	47,202	2,058	17,312	31,948
GROWALD CLIMATE FUND	-	109	-	108	-
WILDE GANZEN	1,280	1,244	186	2,711	-
CLIMATE IMPERATIVE FOUNDATION	-	1,234	(24)	-	1,210
ROBERTSON FOUNDATION	-	21,987	(125)	1	21,861
Total	138,659	271,595	1,277	123,560	287,971

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Description	2022	2023
Current liabilities	136,856	189,947
Noncurrent liabilities - LT	1,803	98,024
Total	138,659	287,971

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11. 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:

Description	Contract amount/ balance payable - 2023	Amount paid in 2023	Amount payable in 2024	Amount payable in 2025
Contracts of 2020	80	80	-	-
Contracts of 2021	7,687	7,615	72	-
Contracts of 2022	40,038	34,598	5,440	-
Contracts of 2023	67,636	34,365	32,051	1,220
	<u>115,441</u>	<u>76,658</u>	<u>37,563</u>	<u>1,220</u>
			<u>2023</u>	<u>2022</u>
Funds linked to partnerships - current liabilities			37,563	45,863
Funds linked to partnerships - noncurrent liabilities			1,220	1,943
			<u>38,783</u>	<u>47,805</u>

12. Net assets

a) Net assets

The Institute's net assets are composed of surplus (deficit) from previous years, as approved by the Decision Making Body. In 2022, the balance of net assets was R\$ 11,215. In the following year, in 2023, an amount of R\$ 10 was incorporated referring to the balance of previous year's adjustment, resulting in a final balance of R\$ 11,225.

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.

INSTITUTO CLIMA E SOCIEDADE

Notes to the financial statements For the years ended December 31, 2023 and 2022 (In thousands of Brazilian Reais)

13. Operating revenue

13.1. Restricted revenues

These refer to donations received, 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. The Institute strengthened some partnerships with international funders, with most contracts renewed and or extended in 2023 aiming the fulfillment of iCS social mission.

	2023	2022
CLIMATEWORKS FOUNDATION CWF	2,600	2,508
OAK FOUNDATION	17,437	24,721
CHILDREN'S INVESTMENT FUND FOUNDATION CIFF	25,953	31,291
OPEN SOCIETY FOUNDATION	6,405	-
THE WILLIAM AND FLORA HEWLETT FOUNDATION	8,849	6,728
EUROPEAN CLIMATE FOUNDATION ECF	1,490	789
WALMART FOUNDATION	3,586	2,945
FOUNDATION FOR INTERN. LAW FOR ENVIRONMENT FILE	5,266	3,520
OPEN SOCIETY FOUNDATION	-	8,042
MOTT FOUNDATION	261	792
AGORA ENERGIEWENDE (SMART ENERGY)	452	1,241
ROCKEFELLER (CECG-CLIMATE EMERGENCY COLLAB. GROUP)	530	1,214
STICHTING IKEA FOUNDATION	6,330	1,661
RAINFOREST ALLIANCE	-	-
QUADRATURE CLIMATE FOUNDATION	3,649	23,091
WILDE GANZEN	2,711	1,600
SEQUOIA CLIMATE FOUNDATION	7,300	18,065
FOUNDATION FOR DEMOCRACY & PLURALISM FD&P	524	2,001
THE NATURE CONSERVANCY TNC	68	10
CLIMATE LAND USE ALLIANCE CLUA	4,020	-
OCCASIONAL DONATIONS	1,630	-
PORTICUS	4,316	1,413
CLASP	47	-
GROWALD CLIMATE FUND	108	-
OCEANKIND	17,312	-
NATURE FINANCE	37	-
THE LEMELSON FOUNDATION	2,300	-
BEZOS EARTH FUND	-	-
ROBERTSON FOUNDATION	1	-
INSTITUTO ARAPYÁÚ	18	300
EMBAIXADA DA ALEMANHÃ	202	236
INSTITUTO IBIRAPITANGA	90	-
INSTITUTO HUMANIZE	18	-
ASSOCIACAO SAMAMBAIA FILANTROPIAS	50	-
BANCO ITAÚ	-	400
BANCO BRADESCO	-	400
BANCO SANTANDER	-	318
	123,560	133,286

13.2. Financial income, net

	2023	2022
Returns	6,483	6,251
Withholding Income Tax (IRRF) on investments	(1,256)	(1,503)
Tax on Financial Transactions (IOF)	(706)	(156)
Exchange rate gains	412	575
Exchange rate losses	(686)	(964)
IRRF on foreign exchange	(149)	-
	4,098	4,203

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Notes to the financial statements For the years ended December 31, 2023 and 2022 (In thousands of Brazilian Reais)

13.3. Unrestricted revenues

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

	<u>2023</u>	<u>2022</u>
Services rendered	1,754	509
	<u>1,754</u>	<u>509</u>

14. Cost of social activities

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

	<u>2023</u>	<u>2022</u>
Projects and partnerships (i)	(79,833)	(82,136)
Seminars and events	(1,236)	(4,697)
Third-party services	(13,773)	(22,443)
Human resources	(8,900)	(6,872)
Travel and lodging	(3,076)	(2,398)
	<u>(106,818)</u>	<u>(118,546)</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.

15. Operating expenses

15.1. Expenses on personnel

In 2023, there was a significant increase in the Institute's staff number, from 38 in December 2022, to 55 in December 2023, which resulted in a consequent increase in iCS personnel expenses.

	<u>2023</u>	<u>2022</u>
Compensation	(3,933)	(3,379)
Social charges	(2,096)	(1,152)
Benefits (i)	(1,390)	(512)
	<u>(7,419)</u>	<u>(5,043)</u>

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

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15.2. Services rendered

Expenses on services rendered by legal entities refer to consulting and/or advisory services such as auditing, accounting, legal assistance, and information technology, among others.

	<u>2023</u>	<u>2022</u>
Services rendered - natural persons	(202)	(121)
Services rendered - legal entities (i)	<u>(4,530)</u>	<u>(6,239)</u>
	<u><u>(4,732)</u></u>	<u><u>(6,360)</u></u>

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

15.3. Travel and lodging

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

	<u>2023</u>	<u>2022</u>
Air tickets	(139)	(119)
Lodging	(32)	(184)
Other travel expenses	<u>(22)</u>	<u>(101)</u>
	<u><u>(193)</u></u>	<u><u>(404)</u></u>

15.4. General and administrative expenses

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

	<u>2023</u>	<u>2022</u>
Infrastructure	(711)	(589)
Consumption expenses	<u>(704)</u>	<u>(797)</u>
	<u><u>(1,415)</u></u>	<u><u>(1,386)</u></u>

15.5. Tax expenses

	<u>2023</u>	<u>2022</u>
Tax on Property (IPTU)	(3)	-
Fees and contributions	<u>(1)</u>	<u>-</u>
	<u><u>(4)</u></u>	<u><u>-</u></u>

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Notes to the financial statements For the years ended December 31, 2023 and 2022 (In thousands of Brazilian Reais)

16. 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>2023</u>	<u>2022</u>
Cash and banks	51,919	58,227
Financial investments	79,590	14,372
Real estate securities	14,561	13,234
	<u>146,070</u>	<u>85,833</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, 2023, the Institute had the following amounts of short-term funds:

	<u>2023</u>	<u>2022</u>
Financial Investments	79,590	14,372
	<u>79,590</u>	<u>14,372</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, 2023	
Trade accounts payable and other liabilities	440
	<u>440</u>
As at December 31, 2022	
Trade accounts payable and other liabilities	818
	<u>818</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, 2023 and 2022.

17. Provision for contingencies

Currently, the Institute is not aware of being a party (defendant) in tax, labor, and other administrative lawsuits, therefore, it has not recognized a provision for estimated probable losses, nor has disclosed possible losses.

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18. 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.

The members of the Fiscal Council may be remunerated for the exercise of their statutory functions as per chapter VII, article 33, paragraph 5 of the iCS bylaws.

19. Insurance in effect (not audited)

Assets, interest and liabilities are covered in amounts deemed sufficient by Management to cover possible losses. In 2023, the Institute's corporate insurance amounts to R\$1,125,000.

In 2023, the Institute took out civil liability insurance for management, directors and board members (D&O) in the amount of R\$20,000,000.

20. 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 2023 and 2022, the Institute did not render this type of service.

21. Subsequent events

There are no subsequent events to be disclosed between the closing date and the reporting date that have, or may have, significant effects on the Entity's financial situation and future results until this moment.