

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

INSTITUTO DO HOMEM E MEIO AMBIENTE
DA AMAZÔNIA - IMAZON

Independent auditor's report

Financial statements
As at December 31, 2022

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - AMAZON

Financial statements
As at December 31, 2022

Contents

Independent auditor's report on the financial statements

Statements of financial position

Statements of activities

Statements of comprehensive surplus (deficit)

Statements of changes in net assets

Statements of cash flows

Notes to the financial statements

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Management, Executive Directors and Associated parties of
Instituto do Homem e Meio Ambiente da Amazônia - IMAZON
Belém - PA

Opinion on the financial statements

We have audited the financial statements of Instituto do Homem e Meio Ambiente da Amazônia - IMAZON ("IMAZON" or "Institute") which comprise the statement of financial position as at December 31, 2021 and the respective statements of activities, comprehensive surplus (deficit), 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 do Homem e Meio Ambiente da Amazônia - IMAZON, as at December 31, 2022, its financial performance and its cash flows for the year then ended in accordance with the Brazilian accounting practices, applicable to non-profit entities.

Basis for opinion on the financial statements

We conducted our audit in accordance with Brazilian auditing standards. 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 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, 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 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 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 standards 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 auditing standards, 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 Institute's internal controls;
- 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 Institute's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institute to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Belém, February 02, 2024.

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

Statements of financial position As at December 31, 2022 and 2021 (In thousands of Brazilian Reais)

Assets				Liabilities and net assets			
	Note	2022	2021		Note	2022	2021
Current				Current			
Cash and cash equivalents	4	9,337	15,023	Trade accounts payable		151	82
Advances paid	5	552	585	Social and labor liabilities		627	474
Amounts receivable		104	313	Tax liabilities		78	56
		<u>9,993</u>	<u>15,921</u>	Advances received		101	101
				Obligations with project resources	7	<u>8,018</u>	<u>13,863</u>
						<u>8,975</u>	<u>14,575</u>
Noncurrent				Noncurrent			
Fixed assets	6	1,465	1,123	Obligations with project resources	6.b	<u>1,345</u>	<u>985</u>
Intangible assets		39	45			<u>1,345</u>	<u>985</u>
		<u>1,504</u>	<u>1,168</u>				
				Net assets			
				Net assets	10	<u>1,177</u>	<u>1,529</u>
						<u>1,177</u>	<u>1,529</u>
Total assets		<u><u>11,497</u></u>	<u><u>17,089</u></u>	Total liabilities and net assets		<u><u>11,497</u></u>	<u><u>17,089</u></u>

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

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

Statements of activities

For the years ended December 31, 2022 and 2021

(In thousands of Brazilian Reais)

	Note	2022	2021
Net revenue			
Unrestricted revenue	11	592	2,747
Restricted revenue	11	20,522	16,528
Total net revenues		21,114	19,275
Operating costs			
Unrestricted costs	12	(69)	(56)
Restricted costs	12	(20,522)	(16,528)
Total costs		(20,591)	(16,584)
Gross surplus		523	2,691
Administrative expenses	13	(824)	(1,908)
(Deficit) surplus before financial income (loss)		(301)	783
Financial revenues	14	51	5
Financial expenses	14	(102)	(99)
Net financial income (loss)		(51)	(94)
Net (deficit) surplus for the year		(352)	689

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

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - AMAZON

Statements of comprehensive surplus (deficit)

For the years ended December 31, 2022 and 2021

(In thousands of Brazilian Reais)

	2022	2021
Net (deficit) surplus for the year	(352)	689
Other comprehensive surplus (deficit)		-
Total comprehensive surplus (deficit) for the year	<u>(352)</u>	<u>689</u>

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

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

Statements of change in net assets

For the years ended December 31, 2022 and 2021

(In thousands of Brazilian Reais)

	Net assets	Accumulated surplus/deficit	Total
Balances as at December 31, 2020	839	-	839
Surplus for the year	-	689	689
Incorporation of surplus for the year	689	(689)	-
Balances as at December 31, 2021	1,529	-	1,529
Deficit for the year		(352)	(352)
Incorporation of deficit for the year	(352)	352	-
Balances as at December 31, 2022	1,177	-	1,177

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

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

Statements of cash flows - Indirect method
For the years ended December 31, 2022 and 2021
(In thousands of Brazilian Reais)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Net (deficit) surplus for the year	(352)	689
Adjusted to:		
Depreciation/amortization for the period	<u>16</u>	<u>23</u>
	(336)	712
Changes in assets and liabilities, current and noncurrent		
Advances	32	(209)
Amounts receivable	209	(61)
Trade accounts payable	69	58
Payroll and social charges	153	84
Tax liabilities	22	(7)
Obligations with project resources	(5,835)	5,279
Net cash flows from operating activities	<u>(5,686)</u>	<u>5,854</u>
Cash flows from investing activities		
Acquisition of fixed assets	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>
(Decrease)/increase in cash and cash equivalents, net	<u><u>(5,686)</u></u>	<u><u>5,854</u></u>
Cash and cash equivalents at beginning of period	15,023	9,169
Cash and cash equivalents at end of period	9,337	15,023
(Decrease)/increase in cash and cash equivalents, net	<u><u>(5,686)</u></u>	<u><u>5,854</u></u>

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

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

1. Operations

Instituto do Homem e Meio Ambiente da Amazônia - IMAZON (“Institute” or “Entity”) is a private civil non-profit organization, established on July 10, 1990, whose headquarters is located at Travessa Dom Romualdo de Seixas, 1698, 11º andar, Umarizal, Belém - PA. The Institute has the purpose of promoting sustainable development of the Amazon by means of studies, support to the creation of public policies, widespread delivery of its results and professional training. It is mainly engaged in:

- The development of studies and researches on the sustainable use of the Amazon’s natural resources;
- The contribution to the effective adoption of sustainable practice and life quality in the Amazon; and
- The promotion of education programs and training courses focused on the regional sustainable development.

The Institute is classified, as per Law No. 9.790, of March 23, 1999, as a Public Interest Civil Society Organization (Organização da Sociedade Civil de Interesse Público - OSCIP). The Institute obtained the certificate of qualification as an OSCIP on March 03, 2006, issued by the Federal Department of Justice in accordance with Ordinance No. 361, of July 27, 1999, and its activities are within the academic, cultural and scientific area, in order to promote the involvement of Brazilian civil society in the search for sustainable development and biodiversity preservation.

The intrinsic characteristics of social programs are based on the following main factors: (i) raising of financial resources to execute its programs, by means of donation and long-term international cooperation agreements; and (ii) design and management of long-term programs. In this context, the achievement of the program objectives is directly connected to its governance and long-term technical, operational and financial planning.

Financial resources the Institute receives financially support both the programs and the strategic planning established by Management. The existing strategies support the ongoing programs, which continued in 2022 and will continue over the coming years.

For that reason, deficits or surpluses in those programs shall not be understood as regarding their economic and financial feasibility or unfeasibility, since all programs are implemented over the long term and the Institute’s strategic planning takes into account total financial resources receivable, as well as the timing and the physical form for the expense of resources.

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

To expand its activities, the Institute is adjusting its actions as follows:

- (i) Strategic planning for each program in the long-term horizon, without necessarily following financial years or periods;
- (ii) program governance by means of a schedule of activities intended for the projects' needs.

COVID-19 pandemic

In mid-March 2020, the World Health Organization (WHO) declared a pandemic alert for the new coronavirus, affecting population routine and economic activity worldwide.

The pandemic originated Decree No. 06, of 03/20/2020, in the federal sphere, recognizing nationwide public calamity. Other similar decrees have been approved in several Brazilian States, including in Pernambuco, resulting in several activity restriction and social distancing measures.

In view of that, the Institute adopted several measures to minimize the impacts brought by the Covid-19 pandemic on its operations, the main measures are the following:

- Implementation of improvements to cash flow management, allowing for fast detection of changes, especially nonrecurring defaults, to take immediate corrective measures;
- IT investments, to allow for remote work and make it safe, as well as the optimization of internal processes; and
- Adoption of procedure for monitoring the main economic and financial indicators periodically.

The Institute has also been acting prudently, with the main objective of preserving the health and safety of its employees. These measures taken by Management, based on WHO and Ministry of Health, are the following:

- Supply of facemasks to all employees and mandatory facemask usage within the Institute's premises;
- Remote work regime and reduced number of workers in office, for those who chose to do so, reducing crowding levels;
- Measurement of temperature and oxygenation of all employees at the entrance to the Institute;
- Meetings held by means of videoconference application and/or platforms, to avoid crowding;
- Adoption of alcohol-based hand sanitizer dispensers in all of the Institute's premises.

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

In March 2023, after almost two years of the mandatory facemask use decree, the use of facial protection was made flexible for open spaces in most of the country, and even in enclosed spaces, in some places. In August 2023, the mandatory use was completely revoked elsewhere. The Institute's Management keeps some operation monitoring measures, although it is already operating regularly. For the financial statements for the year ended December 31, 2022, Management did not identify significant impacts resulting from this matter.

General information regarding the economic context and considerations on the Russo-Ukrainian War.

The Company continues to monitor the possible direct and indirect impacts related to the Russo-Ukrainian War that may influence resource raising operations, with inflation caused by the increase in oil and food prices, energy shortages in the European market. Oil byproducts generate chemical products and some of these are used in our industrial process. Fuel is used to transport components, vehicles and parts.

During an operation analysis, Management has considered the events occurring both at that time and subsequently, until the date of issue of these financial statements, and no significant effects that should be reflected in the financial statements for the year ended December 31, 2022, were identified.

Although the Institute understands that it is difficult to measure the impacts of war in the long term, and that conditions, forecasts and analyses constantly change as new events occur in global geopolitics, impacts subject to assessment as at December 31, 2022, were taken into account and did not result in adjustments to the financial statements.

2. Basis of preparation and presentation of the financial statements

a. Statement of compliance

The financial statements were prepared in accordance with Brazilian accounting practices applicable to small and medium-sized companies (NBC TG 1000 (R1) - Accounting for Small and Medium-sized Entities) and with the provisions applicable to the nonprofit entities (ITG 2002 (R1) - Nonprofit Entities), both issued by the Brazilian Federal Council of Accounting (CFC).

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

The issue of the financial statements for the year ended December 31, 2022 (which includes all relevant information corresponding to the ones used to manage the Institute) was authorized by Management on February 02, 2024, considering subsequent events occurred until this date.

All relevant information on the financial statements, and only such information, is being evidenced and corresponds to that used by Management in its administration.

b. Measurement basis

These financial statements were prepared considering historical cost as base value, unless otherwise stated.

c. Functional and reporting currency

The financial statements are presented in Brazilian Reais (R\$), which is the Institute's functional and reporting currency. All the balances in thousands of Brazilian Reais were rounded to the closest thousand, unless otherwise stated.

d. Use of estimates and judgment

The preparation of financial statements in accordance with the Brazilian accounting practices applicable to Small and Medium-sized Companies, requires the Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses. Actual results may differ from those estimates.

Estimates and assumptions are continually reviewed. Reviews of accounting estimates are recognized in the period in which they took place and in any future periods affected. The main estimates and judgments are included in the following notes:

- Note 06 - Fixed assets: useful life considered in assessing depreciation;
- Note 08 - Contingencies: disputes bearing financial disbursement perspectives.

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

- e. Existing standards, amendments and interpretations not in effect, not adopted in advance by the Institute

The Committee of Accounting Pronouncements (CPC) issued new standards for large companies, effective as from 2021. Aspects from these standards, when included to the Technical Pronouncement PME - Accounting for SMEs, may affect the Institute's financial statements. Management will assess the effects of new standards as soon as they are issued.

3. Significant accounting practices

The significant accounting policies applied in preparing these financial statements are set forth below. These accounting policies were consistently applied to the years reported in these financial statements.

- a. Foreign-currency transactions and balances

Transactions in foreign currency are translated into the Institute's functional currency according to the exchange rates on the transaction dates.

Monetary assets and liabilities denominated and calculated in foreign currency are retranslated into the functional currency at exchange rates as at the reporting date. Nonmonetary assets and liabilities denominated in foreign currencies and measured at fair value are retranslated to the functional currency at the exchange rate on the date fair value was calculated. Nonmonetary items stated at historical cost in foreign currency are translated using the exchange rate prevailing as at transaction date.

- b. Financial instruments

- (i) Nonderivative financial assets

The Institute initially recognizes loans, receivables and deposits on the date they are originated. All other financial assets are initially recorded on the negotiation date, in which the Institute becomes a party to the contractual provisions of the instrument.

The Institute does not recognize a financial asset when the contractual rights to the cash flows of the asset expire, or when the Institute transfers the rights to receive contractual cash flows of a financial asset in a transaction in which virtually all risks and benefits of ownership of the financial asset are transferred.

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

Financial assets or liabilities are offset and the net amount is reported in the statement of financial position when, and only when, there is a legally enforceable right to offset the recognized amounts and intention to settle them on a net basis or to simultaneously realize the asset and settle the liability.

The Institute classifies its nonderivative financial assets as loans and receivables.

Loans and receivables

Loans and receivables consist of financial assets with fixed or determinable payments and not quoted in an active market. They are initially recognized at fair value plus any attributable transaction costs.

After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

The institute has the following nonderivative financial assets: cash and cash equivalents.

Cash and cash equivalents

These include balances of cash and financial investments with original maturity of three months or less as from the hire date. These are subject to an insignificant risk of change in value.

(ii) Non-derivative financial liabilities

The Institute initially recognizes debt securities issued and subordinated liabilities on the date they are created. All other financial liabilities (including liabilities designated at fair value recognized in statement of activities) are initially recognized on the negotiation date in which the Institute becomes a party to the instrument agreement provisions. The Institute writes off a financial liability when its contractual obligations are withdrawn, cancelled or overdue.

Nonderivative financial liabilities are classified by the Institute as other financial liabilities. Such financial liabilities are initially recognized at fair value plus any attributable transaction costs. After initial recognition, they are measured at amortized cost using the effective interest rate method.

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

The Institute has the following nonderivative financial liabilities: trade accounts payable and obligations with project resources.

(iii) Derivative financial assets and liabilities

The Institute did not enter into derivative financial instruments in the year ended December 31, 2022.

c. Fixed assets

(i) Recognition and measurement

The Institute's fixed assets include assets acquired with funds from partnership contracts exclusively intended to the implementation of the projects. There are presented separately as "restricted use assets" in fixed asset Note.

Restricted use assets are recorded when there is outflow of bank funds, against current liabilities account "Obligations with project resources". Simultaneously, the asset is recorded in fixed assets (Restricted use assets), against noncurrent liabilities account "Obligations with project resources".

By the end of the project, the balance of restricted use fixed assets is transferred to the unrestricted fixed assets account and the liabilities offset account of fixed assets is written off against revenues from donations, given that the asset is historically donated to the Institute.

Fixed asset items are measured at historical acquisition or construction cost, less accumulated depreciation and accumulated impairment, if any.

Cost includes expenses that are directly attributable to an asset's acquisition.

Gains or losses arising from disposal of a fixed asset item are determined as the comparison between disposal proceeds and the book value of the fixed asset, and should be recognized net as other revenues in the statement of activities.

(ii) Subsequent costs

The cost of replacement of a fixed asset item is recognized at the book value of the item if it is probable that the economic benefits incorporated into the item will flow to the Institute and that its cost may be measured reliably. The book value of an item that has been replaced with another is written off. Maintenance costs of fixed assets are recognized in the statements of activities as incurred.

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

(iii) Depreciation

Depreciation is calculated based on depreciable amount, which is the cost of an asset, or another substitute amount, during its useful life.

The depreciation of unrestricted assets is recognized in the statement of activities on a straight-line basis over the estimated useful lives of each asset item, given that this is the method that more closely reflects the consumption pattern of future economic benefits included in assets.

Depreciation of restricted assets (exclusively intended for the execution of projects) is recorded in a fixed assets offset account, as against "Obligations with project resources", in noncurrent liabilities, under the straight-line method related to the useful life of each fixed asset item.

The depreciation methods, useful lives and residual amounts are reviewed as at every reporting date and possible adjustments are recognized as a change in accounting estimates.

The annual estimated depreciation rates of fixed assets are as follows:

Improvements and facilities	2.5%
Vehicles	10%
Machinery and equipment	10%
Communication equipment	10%
IT equipment	20% to 50%
Furniture and fixtures	20%

d. Impairment

(i) Nonderivative financial assets

Financial assets not measured at fair value through profit or loss are valued every reporting date to determine if there is objective evidence that their value has been impaired. An asset is recognized as impaired when objective evidence indicates that such loss happened after its initial recognition and that it negatively affected future cash flows projected that could be reliably estimated.

Objective evidence that financial assets have been impaired may include the nonpayment or delay in payment by the debtor, restructuring the amount due to the Institute under conditions that it would not consider in other transactions, indication that the debtor or issuer will go bankrupt, or no longer existence of an active market for the note.

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

Management annually assesses impairment triggers to evaluate the need of reviews of the net book value of assets with the purpose of evaluating events or changes in economic, operating or technological circumstances that may indicate impairment loss. When such evidence is identified and the net book value is higher than the recoverable value, an impairment loss is recognized to adjust the net book value to recoverable value.

(ii) Nonfinancial assets

The book values of the Institute's nonfinancial assets are reviewed on every reporting date to verify if there is indication of impairment loss. If evidence of impairment is found, the asset's recoverable value is determined. The recoverable value of an asset is the higher between value in use and fair value, less selling expenses. An impairment loss is recognized in case the book value of an asset exceeds its estimated recoverable value. If any, loss on value are recognized in the statements of activities.

Management did not identify any evidence of impairment of its nonfinancial assets. Therefore, it was not necessary to estimate recoverable values for assets.

e. Provisions

Provisions are recognized when the Institute has an actual obligation (legal or informal) as a result of past events, funds are likely to be necessary to settle this obligation and a reliable estimate of its amount can be made. When the Institute expects the amount of a provision to be reimbursed, fully or partially, by means of an insurance contract, for example, this reimbursement is recognized as a separate asset, but only when its realization is considered virtually certain. Expenses related to any provision are presented in the statement of activities, net of reimbursement.

The provisions are calculated by means of the discount of future cash flows estimated at a rate before taxes that reflects current market valuations of the time value of money and the specific risks of the obligation. The effects of derecognition of the discount over time are recognized in the statements of activities as financial expenses.

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

Labor provisions arise from the legal obligation of recording employee rights. As provision for vacation pay, the Institute calculates 1/12 of the employee's monthly base salary plus 1/3 for every month, until the employee reaches 12 consecutive months, when he acquires the right to take its vacation period. The year-end bonus is calculated by the Institute as 1/12 of the employee's monthly base salary, from January to December, when payment is made. Every employee has the right to yearly take a paid vacation period.

f. Employee benefits

Obligations for short-term benefits to employees are recognized as personnel expenses as the corresponding service is rendered. The corresponding liability is recognized at the amount expected to be paid if the Institute has a present legal or constructive obligation to pay the amount in consideration for past services rendered by the employee, and such obligation can be reliably estimated.

The Institute does not grant employees or managers long-term benefits.

g. Project funds

Obligations with project resources are recorded under the account "Obligations with project resources" when resources are received from funders, against the account "Cash and cash equivalents", and written off as of the payment of the respective project expenses, recorded on the accrual basis.

h. Recognition of revenues and expenses

Expenses and revenues are recognized on the accrual basis.

- Receipt of resources: When resources are received, a debt is recorded in cash and cash equivalents, a credit of unrealized expenses is recorded in "Obligations with project resources", in current liabilities;
- Consumption as cost: When expenses on projects occur, account "Obligations with project resources", in current liabilities, is recorded against trade accounts payable liabilities (for further financial settlement). Simultaneously, restricted costs are recorded in statements of activities against restricted revenues;
- Rendering of services: Revenue from services rendered is recognized in the statement of activities based on the stage of completion of the service as at the reporting date. The stage of completion is assessed by reference to the researches of work performed;

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

- Management fees: Revenue from management fees is recognized in the statement of activities based on incurred management expenses, at the limits established by the project agreements;
- Received donations and grants: Grants are recognized in the statement of activities as revenue throughout the period and crosschecked against the expenses they are intended to offset, on a systematic basis, as long as there is reasonable assurance that the Institute will meet all the conditions associated to the grant. Therefore, the recognition of revenue arising from donations and government grants upon receipt is only allowed when there is no basis of appropriation through the periods considered.

i. Financial revenues and expenses

The Institute's financial revenues and expenses comprise:

- asset and liability interest;
- Net gains from/losses on financial assets measured at fair value through profit or loss; and
- Net exchange rate gains from/losses on financial assets and liabilities.

Interest expenses and revenues are recognized in the statement of activities under the effective interest rate method.

j. Taxation

The Institute is an OSCIP and, therefore, it is exempt from Income and Social Contribution Taxes.

A nonprofit organization is an entity that does not present surplus in its accounts or, if the entity presents it in a certain year, it is fully allocated to the maintenance and development of its activities (Law No. 9.532/97, Article 15, Paragraph 3, amended by Law No. 9.718/98, Article 10).

The Institute also benefits from the exemption of Tax on sales (PIS) on own revenue.

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

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

4. Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
Unrestricted funds		
Bank checking accounts	-	663
Financial investments (a)	<u>2</u>	<u>2</u>
	2	664
Restricted resources		
Bank checking accounts	5,895	9,130
Financial investments (a)	<u>3,440</u>	<u>5,228</u>
	9,335	14,358
	<u><u>9,337</u></u>	<u><u>15,023</u></u>

(a) The financial investments basically refer to bank certificates of deposit (CDB) and fixed-income funds, whose return rates ranges from 90% to 100% of the Interbank Deposit Rate (CDI), returns were of R\$ 51 in 2022 (R\$ 5 in 2021). The breakdown of investment accounts is as follows:

	<u>2022</u>	<u>2021</u>
Bank Certificates of Deposit (CDB)	3,440	5,228
Savings account	<u>2</u>	<u>2</u>
	<u><u>3,442</u></u>	<u><u>5,230</u></u>

The use of financial resources connected to projects is restricted to investment in projects, according to contractual provisions, but their transactions within financial institutions are not restricted.

Financial returns on the investments in restricted resources to projects are recorded in liabilities, together with the resource inflows of projects. Returns for 2022 were R\$ 384 (R\$ 152 for 2021). Revenues from the Institute's resources are recorded in the statement of activities as financial revenues, see Note 14.

5. Advances

	<u>2022</u>	<u>2021</u>
Advances to partners (a)	265	336
Advances for travel	55	31
Advances to employees	41	24
Advances to suppliers	42	53
Others	<u>150</u>	<u>142</u>
	<u><u>552</u></u>	<u><u>585</u></u>

(a) Advances to third parties that render services during the execution of projects.

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

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

6. Fixed assets

a. Unrestricted fixed assets

Description	2021	Changes			2022
		Additions	Write-offs	Transfers	
Improvements and facilities	145	-	-	-	145
Machinery and equipment	111	-	(17)	-	94
Communication equipment	129	-	-	-	129
IT equipment	583	-	(211)	-	372
Furniture and fixtures	243	-	(1)	-	241
Total cost	1,211	-	(229)	-	982
Improvements and facilities	(27)	(4)	-	-	(31)
Machinery and equipment	(99)	(2)	16	-	(85)
Communication equipment	(113)	(3)	-	-	(116)
IT equipment	(566)	(1)	202	-	(365)
Furniture and fixtures	(230)	(5)	2	-	(233)
Accumulated depreciation	(1,035)	(15)	220	-	(830)
Book balances, net, unrestricted	176	(15)	(9)	-	152

b. Restricted fixed assets

Description	2021	Changes			2022
		Additions	Write-offs	Transfers	
Improvements and facilities	104	39	-	-	143
Vehicles	118	288	-	-	406
Machinery and equipment	384	26	(19)	-	391
Communication equipment	84	47	-	-	131
IT equipment	1,467	266	(60)	-	1,673
Furniture and fixtures	109	8	-	-	117
Total cost	2,266	674	(79)	-	2,861
Improvements and facilities	(20)	(3)	-	-	(23)
Vehicles	(118)	(25)	-	-	(143)
Machinery and equipment	(93)	(35)	10	-	(118)
Communication equipment	(39)	(8)	-	-	(46)
IT equipment	(977)	(214)	60	-	(132)
Furniture and fixtures	(72)	(14)	-	-	(86)
Accumulated depreciation	(1,319)	(299)	70	-	(1,548)
Restricted book balances, net	947	375	(9)	-	1,313
Total net fixed assets (a+b)	1,123	360	(18)	-	1,465

Restricted assets are recorded in the respective project accounts.

Offsetting for these assets is recorded in noncurrent liabilities, under the account "Obligations with project resources".

The Institute controls the assets up to the conclusion of each project, when the residual balance of the asset, if donated to the institute, is recorded as donation revenue.

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

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

The Institute's rendering of accounts to its funders usually requires evidence of the effective acquisition and use of assets planned in each project with a specific budget.

7. Obligations with project resources

Resources from partnerships, contracts and agreements that have specific allocation, restricted to use in projects, are classified, as of the receipt, under "Obligations with project resources", in current assets.

The respective expenses realized are recorded on the same group, under a liability offset account. The Institute's indirect expenses are allocated between projects as agreed in each partnership, contract or agreement, and according to its materiality.

Expenses are segregated by donor, considering the use of human resources and materials, there is no transfer between donors.

	Note	2022	2021
Initial balance - Current liabilities		13,863	8,584
Restricted revenues		14,839	22,898
		28,702	31,482
Project expenses			
Project salaries, charges and benefits	12	(6,282)	(5,158)
Consulting services and other services		(6,887)	(7,040)
Fixed assets		(674)	(778)
Travel expenses		(1,381)	(269)
Publication, dissemination and events		(122)	(52)
Rent expenses		(318)	(268)
Utilities and services		(98)	(72)
Expenses on freight		(3)	-
Taxes and fees		(25)	(140)
Communication expenses		(482)	(516)
Expenses on materials		(16)	(40)
Financial revenues - Returns on investments		343	152
Financial expenses		(295)	(104)
Expenses on insurance		(60)	(31)
Maintenance expenses		(50)	(21)
Reimbursement of meals		(19)	(1)
Other expenses		(-)	(13)
Administrative fee		(100)	-
Transfers to subcontracts		(4,215)	(3,269)
		(20,684)	(17,619)
Final balance - Current liabilities		8,018	13,863

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

8. Provision for legal contingencies

The Institute is subject to contingencies incidental to its business filed at courts and government agencies, regarding tax, labor, civil and other issues.

The Management periodically evaluates contingency risks based on legal, economic, and tax precepts, with the objective of classifying them as probable, possible, or remote according to their chances of loss, taking into account, as the case may be, the analysis of the legal advisors that support the Institute in its causes.

Management, based on the opinion of its legal advisors, understands that the appropriate legal referrals and measures already taken in each situation are sufficient to preserve the Institute's assets, with no indication of the need to recognize provisions and/or disclosures referring to contingencies for 2022, as well as for 2021.

9. Related-party transactions

The Institute is a private nonprofit organization, therefore, it defines as related parties Management's key personnel. As at December 31, 2022, there are no asset or liability balances referring to related-party transactions.

Management's key personnel compensation includes salaries, management fees and variable benefits. Amounts disbursed for the year are broken down as follows:

	<u>2022</u>	<u>2021</u>
Total compensation to key Management personnel	<u>1,100</u>	<u>1,099</u>
	<u>1,100</u>	<u>1,099</u>

10. Net assets
 Net assets

As at the reporting date, the Institute's net assets are R\$ 1,176 (R\$ 1,528 in 2021) and are changed based on the incorporation of surpluses or deficits of each year.

Deficit for the current year of R\$ 352 (surplus of R\$ 689 in 2021) was transferred to net assets account, according to legal requirements and requirements established by the Institute's by-laws and also to ITG 2002 (R1).

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

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

If the Institute ceases to exist, its residual net assets shall be fully transferred to nongovernmental nonprofit entities, classified as OSCIPs, as per Law No. 9.790/99, and whose objectives converge with the Institute's. The recipients should be indicated to the General Meeting at the same meeting the Institute's termination is decided for.

11. Net revenues

	2022	2021
Restricted revenues (i)	19,521	16,528
Project and program administrative fees (ii)	1,001	1,244
Sundry revenues	115	529
Revenue from services rendered	502	1,039
(-) Deductions		
Tax on sales (COFINS)/Tax on services (ISS)	(25)	(65)
	<u>21,114</u>	<u>19,275</u>

(i) and (ii) Revenues broken down by funder (restricted/donations and administrative fees):

	2022	2021
NORAD (a)	5,487	5,231
Instituto Clima e Sociedade (b)	3,614	3,494
BNDES Banco Nacional de Desenv. Econ. Social	2,266	1,129
Instituto Arapyaú de Educação e Desenvolvimento (c)	1,803	2,122
Foundation To Promote Open Society	1,165	506
Climate and Land Use Alliance	1,092	1,010
Gordon and Betty Moore Foundation	1,030	698
Skoll Foundation (d)	633	1,074
REWILD	407	-
Instituto Alcoa APS Juruti	377	455
Facbook Serviços Online do Brasil	336	1
Regnskogsforeningen	308	-
Instituto El Bien Comum IBC	305	-
Itaú Unibanco S/A	288	105
Associação Vale Desenv. Sustentável	288	249
U.S. Forest Service International Programs (e)	270	488
ENEVA	152	-
WRI World Resources Institute's	134	209
IPE Instituto de Pesquisa Ecológicas	57	-
The Wellbeing Project	39	1
WWF Brasil	38	62
Global Wildlife Conservation	33	503
Plural Gestão de Recursos	20	5
Fundação Britidoc	19	1
Others	2	41
Institute Humanize	-	221
Equipe de Conservação da Amazônia	-	89
Good Energies Foundation	-	40
JMG Foundation	-	22
Instituto Fama	-	15
Total (i) and (ii)	<u>20,522</u>	<u>17,772</u>

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

(ii) Administrative fees bear the following characteristics:

- Unexpected fees - In this case, the funder allows the allocation of certain expenses, recorded under "Other direct and indirect costs";
- Mixed fees - Previewed in the agreements and specified to certain expenses under account "Other direct and indirect costs"; and
- Expected fees - Administrative costs, charged only by means of the "Overhead" fee.

Flexible use of resources is usually accepted by funders, for each project, up to approximately 10% over the expected amounts for each category, as long as the total does not overcome the total budgeted amount for the project. Project schedule differs from fiscal years, thus, there might be situations in which two different financing periods for a same project are included in the same fiscal year.

(a) NORAD - Norwegian Agency for Development Cooperation

1. Market transparency and law enforcement for conserving the Amazon Forest

(This project mainly seeks to reduce deforestation indexes in Brazilian Amazon to 2012 levels and to increase the adoption of a more sustainable use of land.)

(b) Instituto Clima e Sociedade - ICS

1. Evaluation of *Amazônia Protege* program, which brings accountability to perpetrators of deforestation by means of Public Civil Actions (ACPs), to assess the fighting of land grabbing by the Federal Judicial System. The scope of this program is focused on (i) the impact of appeal decisions favorable to the ACPs and the detailed understanding of the judges' perception of the program and (ii) evaluation of the courts' understanding of punishment to the crimes provided for in Article 20, Law No. 4.947/1966 and preparation of suggestions for judicialization strategies against land grabbing.
2. Supporting the preparation of studies to be published through the next two years (2021 and 2022) and of a Blue Print (bundle of programs, proposed actions, macro activities and expected results) for a Sustainable Amazon that ensures the conservation of natural resources, economic development and social inclusion.
3. Maintenance of legal security and adaptation to the Brazilian General Data Protection Law (LGPD); withdrawn of physical documents for the period from 2004 to 2014 from Imazon's office to ensure information is secure; Investments in Information Technology Security (equipment and software), considering the higher levels of vulnerability present in remote work during the pandemic; creation of a reserve fund to reduce institutional vulnerabilities; improvements in administrative practices and procedures to allow for better activity performance, integration and safety, as well as the hiring of a consulting service to structure an internal audit.
4. Monthly mapping of the water surface of Brazilian biomes for the years of 2021 and 2022; perfecting of MapBiomias Água platform; conducting pilot testing to evaluate technical and operational feasibility of a system that monitors water surfaces as close to real-time as possible; implementing of technical cooperation with Brazilian National Water Agency (ANA); implementing of an user engaging strategy for the use of data to subsidy the management of hydric resources; identification and training of partners to expand MapBiomias Água e América do Sul; implementing of communication actions to have impact on the subject "water", focused on climate change and land use.

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

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

5. Expanding the water surface mapping and monitoring methodology for all Brazilian biomes, in collaboration with MapBiomias, and developing applications bearing the Country's environmental, economic and social interest.
6. Maintenance of legal security; Investments in Information Technology Security (equipment and software); investment in the expansion of asset security; Investment in an institutional security consulting service including workshops for all employees to reach a deep understanding of institutional vulnerabilities and how should they defend; increase in the reserve fund to reduce institutional vulnerability and creation of a raising and use policy for the fund. To deliver such program results, we will publish an indicator showing, in simple and systematic form, which and how meat packing plants and retailers are committed to all links in the livestock supply chain. This indicator shall be simple and self-teaching enough to enable any common consumer to understand the underpinnings of the meat supply chain. The system is being built from standardized questionings to meat packing plants and retailers. Results will allow for the evaluation of the responding companies' compliance and audit levels. The annual result shall be disclosed in a collective interview, in a partnership with channels related to justice, environment, economy, investments and consumer rights.

(c) Instituto Arapyau de Educação e Desenvolvimento Sustentável

1. Develop MapBiomias Collection No. 7 products, for the Amazon Biome, support the implementation of MapBiomias Alerta and support to MapBiomias in the Pantropical region.

(d) The Skoll Foundation

1. We proposed to act on the infrastructure for digital inclusion, on training and empowering young people, and on the protection of the communities territories (indigenous, quilombola, and extractivist). Our proposal is to catalyze how these communities access health, entrepreneurship and technical education, territorial protection and employability opportunities.

(e) USDA Forest Service

Forest Monitoring and Partnership in the Brazilian Amazon.

12. Operating costs

	<u>2022</u>	<u>2021</u>
Unrestricted costs		
Salaries and social charges (i)	(69)	(56)
	<u>(69)</u>	<u>(56)</u>
	<u>2022</u>	<u>2021</u>
Restricted costs		
Salaries and social charges (i)	(6,282)	(5,158)
Services rendered by third parties	(14,240)	(11,369)
	<u>(20,522)</u>	<u>(16,528)</u>

INSTITUTO DO HOMEM E MEIO AMBIENTE DA AMAZÔNIA - IMAZON

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

(i) Salaries and social charges:

	Unrestricted - 2022	Unrestricted - 2021	Restricted - 2022	Restricted - 2021
Salaries	(141)	-	(2,668)	(2,085)
INSS (Social Security Tax)	(46)	-	(918)	(732)
Meal voucher/Transportation pass	(47)	-	(748)	(592)
Health insurance	(26)	-	(429)	(373)
Vacation pay	(45)	(56)	(279)	(239)
Bonuses	(17)	-	(379)	(387)
FGTS (Severance Pay Fund)	(17)	-	(288)	(226)
Year-end bonus	(32)	-	(292)	(213)
Life insurance	(11)	-	(111)	(88)
Internship compensation	(26)	-	(85)	(102)
PIS (Tax on sales)	(7)	-	(36)	(29)
Contract termination fine/ Indemnities	(55)	-	(27)	(71)
Health examination/ medicines	(1)	-	(22)	(20)
	<u>(469)</u>	<u>(56)</u>	<u>(6,282)</u>	<u>(5,158)</u>

13. Administrative expenses

	2022	2021
Travel	(2)	(15)
Rent	(28)	(268)
Publication, dissemination and events	(1)	(52)
Taxes and fees	(5)	(193)
Depreciation and amortization	(16)	(24)
Insurance	(5)	(31)
Communication	(170)	(516)
Expenses on consulting and other services	(547)	(674)
Other administrative expenses	(50)	(136)
	<u>(824)</u>	<u>(1,908)</u>

14. Financial revenues and expenses

	2022	2021
Interest on financial investments	51	5
Total financial revenues	<u>51</u>	<u>5</u>
Interest and bank expenses	(102)	(99)
Total financial expenses	<u>(102)</u>	<u>(99)</u>
Net financial income (loss)	<u>(51)</u>	<u>(94)</u>

15. Financial instruments

The Institute is exposed to risks arising from the use of financial instruments. This note describes the Institute's objectives, policies and processes for managing those risks and the methods used to measure them.

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

Main financial instruments

The main financial instruments used by the Institute, from which financial instrument risk arises, are the following:

- Cash and banks;
- Financial investments;
- Trade accounts payable.

The Institute's activities expose it to the following financial risks:

- Credit risk;
- Liquidity risk;
- Market risk.

Credit risk

Credit risk for the Institute mainly arises from cash and cash equivalents coming from bank deposits and financial investments in CDB.

The Institute invests resources only in CDBs managed by top-tier financial institutions. The Institute does not hire derivatives to manage credit risk. The qualitative disclosure of the Institute's exposure to credit risk, relative to financial assets at the book values, as at December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	9,337	15,023
	<u>9,337</u>	<u>15,023</u>

Liquidity risk

Liquidity risk is the risk resulting 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, 2022 and 2021, the payment flow for the Institute's financial liabilities is presented as follows (in book values):

	<u>2022</u>	<u>2021</u>
Financial liabilities		
Trade accounts payable	151	82
	<u>151</u>	<u>82</u>

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

As at December 31, 2022 and 2021, the Institute was not in default of any obligations.

Market risk (interest rate)

This risk results from the possibility of the Institute incurring losses (or earning gains) due to fluctuations in interest rates applied to its liabilities and assets raised (invested) in the market. Financial instruments subject to market risk are represented by investments in CDBs managed by top-tier financial institutions. As presented in Note 4, these investments are tied to low volatility indexes.

Management has a conservative cash management approach, investing available resources in CDBs pegged to CDI and savings accounts, redeemable in the short term, when authorized by donors. Revenues from these financial investments are reinvested in the Institute itself.

The Institute holds no relevant operations pegged to changes in exchange rates.

16. Insurance coverage

The Institute has insurance to safeguard its assets against possible claims, as Management deems necessary due to the current profile of its assets.

Insurance coverages, as at December 31, 2022, were hired in amounts enough to cover possible loss events.

Given the nature of the risk assumptions adopted, they are not part of the scope of an audit of financial statements and, therefore, were not audited by the independent auditors.

As at December 31, 2022, the Entity had the following main insurance policies entered into with third parties:

Insured categories	R\$
Fire of fixed asset items	59

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

17. Subsequent events

In June 2023, the NGOs Congressional Investigative Commission (CPI) was created to investigate the transfer of public resources to NGOs and OSCIPs, as well as the use of those resources and others received from abroad. The CPI also intended to investigate the concentration of those resources on noncore activities, the diversion of these entities' objects of action, cases of power abuse, interference of those entities in institutional functions pertaining to government authorities, and the acquisition of land by the entities for any purpose. Since the creation of the CPI, Imazon has been following the depositions, counting on legal and political communication support. Also, the internal communication team monitors and reports social networks for messages related to Imazon/CPI.

In September 2023, Imazon was invited to the CPI. The Institute, in fact, had already anticipated itself and organized all of its documents, submitting them to legal checking, and has been holding weekly meetings with its legal advisors. The Institute's legal advisors state that Imazon is well documented and the organization is not in jeopardy, this is roughly also Management understanding of the situation. After documents were submitted to and depositions were taken by the CPI, there is no evidence that counters the advisor's opinion. The CPI was terminated in December, 2023, and a final report was issued, which contained no findings with legal consequences to Imazon.

In February 2023, the Institute received in advance the amount of R\$ 26,143, from The Institution Climate and Land Use Alliance ("CLUA"), referring to the period from January 01, 2023, to December 31, 2025, related to the project "Contribution to the reversal of deforestation to 2012 levels or lower, and to stimulate more sustainable and productive uses for land, through scientific work and communication with society".

Entity Management

Verônica Oki Igacihalaguti
Administrative Director

Ritaumaria de Jesus Pereira
Executive Director

Gian Carlo Cruz Toppino
Accountant CRC/PA 011577/O-0