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(A free translation of the original in Portuguese)

WRI Brasil
Financial statements at
December 31, 2019
and independent auditor's report





(A free translation of the original in Portuguese)

Independent auditor's report

To the Management and Members
WRI Brasil

Opinion

We have audited the accompanying financial statements of WRI Brasil ("Entity"), which comprise the statement of financial position as at December 31, 2019 and the statements of activities, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WRI Brasil as at December 31, 2019, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil for small and medium-sized entities - CPC Technical Pronouncement PME - Accounting for Small and Medium-sized Entities, including the provisions in Technical Interpretation ITG 2002 - "Non-profit Entities".

Basis for opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil for small and medium-sized entities (CPC - Technical Pronouncement PME - "Accounting for Small and Medium-sized Entities"), including the provisions in Technical Interpretation ITG 2002 - "Non-profit Entities", 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.



WRI Brasil

Auditor's responsibilities for the audit of the financial statements

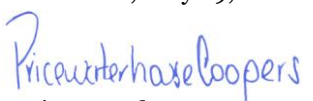
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

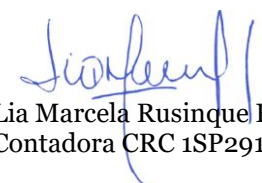
As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 these 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 control that we identify during our audit.

São Paulo, May 19, 2020


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Lia Marcela Rusinque Fonseca
Contadora CRC 1SP291166/O-4

WRI Brasil
Statement of financial position
at December 31

All amounts in Reais

(A free translation of the original in Portuguese)

| Assets | 2019 | 2018 | Liabilities and net assets | 2019 | 2018 |
|------------------------------------|-------------------|-------------------|-----------------------------------|-------------------|-------------------|
| Current assets | | | Current liabilities | | |
| Cash and cash equivalents (Note 3) | 11,159,671 | 11,706,139 | Accounts payable | 15,454 | 30,589 |
| Accounts receivable (Note 4) | 463,459 | 680,713 | Tax liabilities (Note 6) | 46,933 | 121,995 |
| Other receivables | 62,433 | 102,485 | Social charges (Note 7) | 1,384,019 | 1,293,631 |
| | <u>11,685,563</u> | <u>12,489,337</u> | Deferred revenue (Note 10) | - | 86,450 |
| | | | Advances from donors | 7,791,258 | 8,757,744 |
| | | | | <u>9,237,664</u> | <u>10,290,409</u> |
| Non-current assets | | | Non-current liabilities | | |
| Escrow deposits | 66,724 | 66,724 | Tax liabilities (Note 6) | 98,577 | - |
| Fixed assets (Note 5) | 492,249 | 597,848 | | <u>98,577</u> | <u>-</u> |
| Intangible assets | 12,316 | 40,588 | | | |
| | <u>571,289</u> | <u>705,160</u> | Net assets | | |
| | | | Net assets (Note 9) | 2,920,611 | 2,904,088 |
| | | | | <u>2,920,611</u> | <u>2,904,088</u> |
| Total assets | <u>12,256,852</u> | <u>13,194,497</u> | Total liabilities and net assets | <u>12,256,852</u> | <u>13,194,497</u> |

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

WRI Brasil
Statement of activities
Years ended December 31
All amounts in Reais

(A free translation of the original in Portuguese)

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Operating revenue | | |
| Restricted | | |
| Donations (Note 8) | 23,674,303 | 23,299,803 |
| Volunteer work (Note 12) | <u>33,524</u> | <u>17,358</u> |
| | <u>23,707,827</u> | <u>23,317,161</u> |
| Unrestricted | | |
| Donations (Note 8) | 90,322 | |
| Rendering of services (Note 10) | <u>868,528</u> | <u>1,738,868</u> |
| | <u>958,850</u> | <u>1,738,868</u> |
| | <u>24,666,677</u> | <u>25,056,029</u> |
| Operating costs and expenses | | |
| General and administrative expenses (Note 11) | (24,952,820) | (25,118,212) |
| Taxes |) | (286,572) |
| Finance result (Note 14) | (258,985) | 379,371 |
| Volunteer work (Note 12) | 595,175 | (17,358) |
| | <u>(33,524)</u> | <u>(17,358)</u> |
| | <u>(24,650,154)</u> | <u>(25,042,771)</u> |
| Surplus for the year | <u>16,523</u> | <u>13,258</u> |

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

WRI Brasil
Statement of changes in net assets
All amounts in Reais

(A free translation of the original in Portuguese)

| | <u>Net assets</u> | <u>Accumulated surplus</u> | <u>Total</u> |
|-----------------------------|-------------------|----------------------------|------------------|
| At January 1, 2018 | 2,890,830 | | 2,890,830 |
| Surplus for the year | | 13,258 | 13,258 |
| Transfer to net assets | <u>13,258</u> | <u>(13,258)</u> | |
| At December 31, 2018 | <u>2,904,088</u> | | <u>2,904,088</u> |
| Surplus for the year | | 16,523 | 16,523 |
| Transfer to net assets | <u>16,523</u> | <u>(16,523)</u> | |
| At December 31, 2019 | <u>2,920,611</u> | | <u>2,920,611</u> |

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

WRI Brasil

Statement of cash flows Years ended December 31

All amounts in Reais

(A free translation of the original in Portuguese)

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|------------------|
| Cash flows from operating activities | | |
| Surplus for the year | 16,523 | 13,258 |
| Adjustments for non-cash items | | |
| Depreciation and amortization | 163,024 | 147,670 |
| Write-off of fixed assets and intangible assets | <u>28,000</u> | <u>3,306</u> |
| | 207,547 | 164,234 |
| Changes in assets and liabilities | | |
| Decrease in accounts receivable | 217,254 | 273,445 |
| Decrease (increase) in other receivables | 40,052 | (12,272) |
| Increase (decrease) in accounts payable | (15,135) | 21,868 |
| Increase (decrease) in social charges | 90,388 | (36,342) |
| Increase in tax obligations | 23,515 | 42,649 |
| Increase (decrease) in deferred revenue | (86,450) | 86,450 |
| Increase (decrease) in advances from donors | <u>(966,486)</u> | <u>2,302,766</u> |
| Net cash provided by (used in) operating activities | <u>(489,315)</u> | <u>2,842,798</u> |
| Cash flows from investing activities | | |
| Purchases of fixed assets and intangible assets | <u>(57,153)</u> | <u>(127,767)</u> |
| Net cash used in investing activities | <u>(57,153)</u> | <u>(127,767)</u> |
| Increase (decrease) in cash and cash equivalents | <u>(546,468)</u> | <u>2,715,031</u> |
| Cash and cash equivalents at the end of the year (Note 3) | 11,159,671 | 11,706,139 |
| Cash and cash equivalents at the beginning of the year (Note 3) | <u>11,706,139</u> | <u>8,991,108</u> |
| Increase (decrease) in cash and cash equivalents | <u>(546,468)</u> | <u>2,715,031</u> |

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

(A free translation of the original in Portuguese)

WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

1 General information

WRI Brasil ("Entity") is a private, non-profit organization founded in February 2014, in São Paulo, Brazil, which started to operate in June 2014. Its purpose is to move human society to live in ways that protect Earth's environment and its capacity to provide for the needs and aspirations of current and future generations. In order to achieve this goal, WRI Brasil works in partnership with other organizations of the World Resources Institute, in Brazil and abroad, in the development of research-based solutions.

Authorization for WRI Brasil to operate as a Civil Society Organization of Public Interest (OSCIPI) was published in the Federal Official Gazette of September 19, 2014. The Entity holds the Certificate of Recognition of Environmental Entity granted by the Ministry of the Environment and also a Statement of Exemption from Inheritance and Donation Tax - ITCMD. The Treasury Department of the State of São Paulo, together with the Secretary of the Environment, issued Resolution SFP/SIMA 02/2019 at the end of 2019, as published on December 13, 2019, which determines that the Certificate of Environmental Entity and the Statement of Exemption to the ITCMD of the State of São Paulo will be now effective for three years.. Accordingly, the new deadline for WRI Brasil to renew its Certificate of Environmental Entity is March 1, 2022.

WRI Brasil and the World Resources Institute ("WRI Washington DC") are organizations legally bound by a Cooperation Agreement and a trademark license, which are based on the identity of both organizations' mission, values and approach.

These organizations are committed to working together to achieve their common goals, and to that end, they share strategic work plans, financial management, and control systems, under a synergistic governance system for strategic collaborative decision making. The organizations contribute to each other by raising funds from national and international donors, among other actions and activities that are relevant to the accomplishment of their common mission.

In 2015, WRI Brasil opened an office in the city of Porto Alegre, State of Rio Grande do Sul, named WRI Brasil Cidades Sustentáveis (or, WRI Brasil *Sustainable Cities*).

2 Financial statement presentation and significant accounting practices

The issue of these financial statements was authorized by the Entity's Executive Board on May 19, 2020.

The financial statements were prepared in accordance with accounting practices adopted in Brazil for small and medium-sized entities - CPC PME Technical Pronouncement - "Accounting for Small and Medium Entities", including the determinations contained in the Technical Interpretation ITG 2002 - "Non-profit Entities", and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties. The financial statements were prepared under the historical cost convention, except for volunteer work and donations, which are measured at fair value, in accordance with ITG 2002 (Note 12).

WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

The preparation of these financial statements required the use of estimates to account for certain assets, liabilities, and other transactions, including estimates for the useful lives of fixed assets, the determination of financial assets and the provisions for liabilities, among others. The actual results may differ from the estimates.

2.1 Functional and presentation currency and transactions and balances

The financial statements are presented in Brazilian Real/Reais, which is the functional and presentation currency of WRI Brasil.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currency are recognized in the Statement of activities.

2.2 Cash and cash equivalents

Cash and cash equivalents include funds available in local currency and other short-term highly liquid investments with original maturities of three months or less, with immaterial risk of change in value, which are held to meet short- and long-term term commitments.

2.3 Accounts receivable

Accounts receivable are recognized initially at the transaction cost and are subsequently measured at amortized cost using the effective interest rate method,

2.4 Financial assets

The Entity classifies its financial assets in the following categories:

- . Measured at amortized cost; and.
- . Measured at fair value (through profit or loss, or other comprehensive income).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets upon initial recognition. Currently, financial assets are classified at amortized cost.

(a) Assets carried at amortized cost

These are included in current assets, except for maturities longer than 12 months after the reporting period, which are classified as non-current assets. The assets carried at amortized cost comprise Cash and cash equivalents (Note 3), Accounts receivable, and Escrow deposits.



WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

2.5 Fixed assets

Fixed assets are stated at historical cost of acquisition, and depreciation is calculated on the straight-line method, using rates that take into consideration the useful lives of the assets, as described in Note 5.

2.6 Intangible assets

Acquired software licenses are capitalized on the basis of the costs incurred to purchase the specific software and bring it to use. These costs are amortized over the software's estimated useful life of five years.

2.7 Accounts payable

These are obligations to pay for goods or services that have been acquired in the ordinary course of business, and are recognized at the amount stated in the invoice or in the related contract. These payables are classified as current liabilities if payment is due in one year or less. If not, they are presented as non-current liabilities.

2.8 Taxes on operations

WRI Brasil is a non-profit entity, exempt from income tax and social contribution on net income (Note 15). Other taxes are levied on its operating activities, including: (a) Social Integration Program (PIS) - contribution of 1% on the payroll amount; (b) Contribution to the National Institute of Social Security (INSS) - employers' and employee's contributions; (c) Income Tax Withheld at Source (IRRF) levied on income from financial investments – withheld on a regular basis by the respective financial institutions. Services rendered are subject to the Social Contribution on Revenues (COFINS) at the rate of 7.6% and Service Tax (ISS) at the rate of 5%.

2.9 Other current assets and liabilities

Other assets are stated at cost of acquisition, including, where applicable, interest and indexation accruals, less a provision for adjustment to realizable value, where applicable. Other liabilities are stated at known or estimated amounts including, where applicable, interest and indexation charges accrued up to the balance sheet date.

2.10 Net assets

Net assets comprise donations from third parties, increased or decreased by the annual surplus or deficit.

2.11 Determination of surplus (deficit)

Donations received by WRI Brasil that are tied to specific projects are recorded as "Advances from donors" in current liabilities, and are allocated to the Statement of activities as the resources are applied. Other income and expenses are recorded on the accrual basis of accounting.

WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

2.12 Critical accounting estimates and judgments

Information on critical judgments regarding the accounting policies adopted that have an effect on the amounts recognized in the financial statements is included below.

Provisions

Provisions are recognized when: (i) the Entity has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

3 Cash and cash equivalents

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-------------------|-----------------------------|
| Cash - petty cash fund | 2,299 | 3,225 |
| Banks | 40 | 106,739 |
| Sweep investment accounts | 46,530 | 1,079,006 |
| Investment funds - fixed income | 10,299,908 | 10,517,169 |
| Bank Deposit Certificates (CDBs) | <u>810,894</u> | <u> </u> |
| | <u>11,159,671</u> | <u>11,706,139</u> |

(*) The investments in fixed income funds and CDBs were made with the banks Itaú, Bradesco, and Santander, and are readily convertible into a known amount of cash, and subject to an insignificant risk of change in value.

4 Accounts receivable

At December 31, 2019, accounts receivable from services rendered totaled R\$ 16,100 (R\$ 274,390 in 2018) and reimbursements receivable from expenses incurred in the Entity's projects, supported by donation contracts, amounted to R\$ 447,359 (R\$ 406,323 in 2018).

WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

5 Fixed assets

| | 2019 | | 2018 | | Annual depreciation rates -% |
|-------------------------|-------------|-------------------------------------|-------------|------------|---|
| | Cost | Accumulated depreciation | Net | Net | |
| Furniture and fittings | 356,494 | 173,857 | 182,637 | 216,958 | 10 |
| IT equipment | 454,049 | 252,440 | 201,609 | 229,185 | 20 |
| Machinery and equipment | 57,488 | 32,200 | 25,288 | 30,222 | 10 |
| Leasehold improvements | 151,958 | 120,923 | 31,035 | 61,427 | 20 |
| Facilities | 83,762 | 32,082 | 51,680 | 60,056 | 20 |
| | 1,103,751 | 611,502 | 492,249 | 597,848 | |

Changes in fixed assets were as follows:

| | 2019 | 2018 |
|------------------------------|-------------|-------------|
| At the beginning of the year | 597,848 | 616,397 |
| Additions | 52,749 | 127,767 |
| Write-offs | - | (3,306) |
| Depreciation | (158,348) | (143,010) |
| At the end of the year | 492,249 | 597,848 |

6 Tax liabilities

| | 2019 | 2018 |
|-------------------------------|-------------|-------------|
| COFINS payable (i) and (ii) | 117,470 | 80,430 |
| ISS payable (i) | 12,525 | 23,155 |
| Contributions withheld | 3,669 | 15,067 |
| Other taxes and contributions | 11,846 | 3,343 |
| | 145,510 | 121,995 |
| Current | 46,933 | 121,995 |
| Non-current (ii) | 98,577 | - |

(i) The Entity is subject to COFINS and ISS taxes on invoices issued for the rendering of services (Note 2.7).

WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

(ii) The provision for COFINS on finance income of R\$ 98,577 (R\$ 72,872 in 2018) was reclassified to non-current liabilities in 2019.

7 Payroll charges

| | <u>2019</u> | <u>2018</u> |
|----------------------------|------------------|------------------|
| Provision for vacation pay | 1,028,998 | 960,687 |
| Social charges | <u>355,021</u> | <u>332,944</u> |
| | <u>1,384,019</u> | <u>1,293,631</u> |

8 Advances from donors

The Entity received donations for the purpose of implementing and maintaining its operational structure and delivering the projects under its responsibility.

Donations received in 2019 totaled R\$ 22,703,024 (R\$ 26,244,338 in 2018), of which R\$ 99,322 referred to unrestricted funds, and R\$ 22,612,702, to restricted funds. The amount of R\$ 23,674,303 (R\$ 23,299,803 in 2018) of restricted funds was applied during the period, and the remaining amount of R\$ 7,791,258 (R\$ 8,757,744 in 2018) will be used in the next year to fund operations and projects.

Donations of restricted funds received from legal entities were as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------------------------|-------------------|-------------------|
| Donations from legal entities | 22,612,702 | 26,244,338 |
| Inheritance and Donation Tax (ITCMD) | <u>(20,613)</u> | <u>(20,162)</u> |
| Donations received, net | <u>22,592,089</u> | <u>26,224,176</u> |

(i) Of the donations of restricted funds received during the year, 69% (84% in 2018) related to subgrants transferred by the World Resources Institute (Note 13 (a)).

9 Net assets

Net assets correspond to the accumulated surplus of R\$ 2,920,611 (R\$ 2,904,088 in 2018).

In the event of dissolution, the balance of net assets must be transferred to non-profit entity or entities with a similar purpose under the terms of Law 9,790/99

In the event that the entity loses its not for profit status under Law 9,790/99, the net assets acquired through public resources during that period will be transferred to another legal entity duly certified under the terms of Law 9,790/99, preferably with the same purpose.

WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

10 Rendering of services

In conformity with its by-laws, WRI Brasil provides support services to other programs, projects, and actions that may, either directly or indirectly, promote systemic and long-lasting favorable changes in the areas of climate and energy, people and ecosystems, markets and companies, institutions and governance, sustainable urbanization and mobility. In addition to the collection of donations, the Entity earns revenue from the rendering of services related to, among others, the development of studies to map deficiencies in knowledge and the need for research involving forestry and sustainable exploitation of native species. Revenue also arises from the development of guidance manuals on safety and urban mobility for municipalities and companies, and the development of a diagnosis and plan to improve pedestrian mobility in different municipalities. The invoices issued for these services are subject to the levy of Service Tax (ISS) at the rate of 5%, and Social Contribution on Revenues (COFINS) at the rate of 7.6%. Services invoiced and not yet rendered are recorded within “Deferred revenue” and totaled R\$ 86,450 in 2018. No deferred revenue was recorded for 2019.

Breakdown of revenue from services rendered:

| | <u>2019</u> | <u>2018</u> |
|-----------------------|-----------------|------------------|
| Revenue from services | 952,746 | 2,000,900 |
| Taxes on sales | <u>(84,218)</u> | <u>(262,032)</u> |
| | <u>868,528</u> | <u>1,738,868</u> |

11 General and administrative expenses

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Services rendered by legal entities (i) | (3,412,451) | (6,374,880) |
| Personnel | (13,327,742) | (12,819,952) |
| Travel expenses | (2,568,629) | (3,132,404) |
| Project costs (ii) | (4,427,315) | (1,002,365) |
| Property expenses | (778,950) | (1,204,883) |
| Other expenses (iii) | <u>(437,733)</u> | <u>(583,728)</u> |
| | <u>(24,952,820)</u> | <u>(25,118,212)</u> |

- (i) Lower audiovisual production expenses for the *Jepotá* project resulted in a reduction in services rendered.
- (ii) Increases in project costs resulted in lower consulting services. These services relate directly to the activities agreed upon between WRI and the respective donors, at the time of project approval.
- (iii) Other expenses consisted mainly of depreciation, utilities and other general expenses.

WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

12 Volunteer work

Volunteer work and services performed that did not result in cash disbursements to the Entity related to the Board of Directors' meetings. Had the Entity been required to pay for these services, the estimated amount to be disbursed would have been approximately R\$ 33,524 in 2019 (R\$ 17,358 in 2018).

The fair value of the volunteer work presented above was calculated in accordance with the Technical Interpretation ITG 2002, approved by Resolution 1409/12 of the Brazilian Federal Accounting Council (CFC).

13 Related-party transactions

WRI Brasil and WRI Washington DC are organizations legally bound by a Cooperation Agreement and a trademark license (Note 1).

WRI Washington DC participates in the strategic decisions and management of WRI Brasil.

The following transactions were carried out with related parties:

(a) Donations received

| | <u>2019</u> | <u>2018</u> |
|---------------------------|-------------------|-------------------|
| World Resources Institute | <u>15,520,256</u> | <u>22,133,274</u> |

(b) Year-end balances relating to reimbursement of expenses receivable

| | <u>2019</u> | <u>2018</u> |
|---|----------------|----------------|
| Receivables from related parties (Note 4) | | |
| World Resources Institute | <u>447,359</u> | <u>406,323</u> |

(c) Key management compensation

In 2019, key management personnel comprised seven directors (five directors in 2018), as follows: executive director, operations director, strategic relations and development director, communications director, and three program directors. Total annual compensation paid to key management for services is shown below:

| | <u>2019</u> | <u>2018</u> |
|-----------------------------------|------------------|------------------|
| Total key management compensation | <u>2,316,468</u> | <u>2,836,112</u> |

In 2019, four directors are based at the WRI Brasil head office in São Paulo and two at the branch Porto Alegre.

WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

14 Finance income (costs)

| | <u>2019</u> | <u>2018</u> |
|---|----------------|----------------|
| Earnings from financial investments (i) | 562,363 | 379,763 |
| Discounts obtained | 325 | 1,399 |
| Bank fees | (17,337) | (13,217) |
| Other finance income (expense) | <u>49,824</u> | <u>11,426</u> |
| | <u>595,175</u> | <u>379,371</u> |

- (i) In 2019, R\$ 56,120 (R\$ 239,473 in 2018) was transferred from "Advances from donors" in current liabilities to fund projects in progress, as determined in the donors contracts.

15 Tax matters

A non-profit entity is defined as an organization that does not generate surplus from its activities, or, in the event of surplus generated in a given fiscal year, the surplus is fully intended for the maintenance and development of the organization's social objectives, provided that all other legal conditions are met.

WRI Brasil is exempt from income tax and social contribution (pursuant to Article 150 of the Brazilian Federal Constitution), and from Social Contribution on Revenues (COFINS). In accordance with the disclosures required by ITG - 2002 - "Non-Profit Entities", if the Entity were not exempted from such taxes and contributions, the rates in force for payment would be as follows: 5% for Income Tax, 9% for Social Contribution, 7.6% and 1.65% for COFINS/PIS on billings, respectively.

16 Legal claims

The Entity is not a party to any labor, civil, or tax lawsuit.

17 Other information

- (a) In the years ended December 31, 2019 and 2018, the Entity did not carry out transactions involving derivative financial instruments.
- (b) The Entity does not grant to its employees and directors private pension plans, retirement or post-employment benefit plans, or any other benefit plan in the form of bonus or profit sharing.



WRI Brasil

Notes to the financial statements at December 31, 2019

All amounts in Reais unless otherwise stated

18 Insurance

The Entity has contracted D&O (Civil Liability of Directors and Officers) insurance, with a limit of R\$ 10,000,000, effective from November 18, 2019 to November 18, 2020.

The Entity also contracted Corporate Property Insurance for its two offices (São Paulo and Porto Alegre) with a limit of R\$ 650,000 each, effective from April 23, 2019 to April 23, 2020.

19 Events after the reporting period

WRI Brasil has evidently been affected by the current global crisis caused by the COVID-19 pandemic. The Entity's staff has been working remotely since March 16, 2020. On the same date, all national and international travel were suspended, as well as face-to-face events and seminars. Therefore, the initial impact of the pandemic affected primarily the external activities, which were, to the extent possible, replaced by virtual meetings and webinars. Most activities such as research and publications are being carried out normally. A slight reduction of 8% in receipts is initially projected for 2020, which will be offset by the proportional reduction in travel expenses. A surplus is still forecast for the year.

Both at WRI Brasil and at the global level of the organization, a series of discussions were initiated to identify the long-term impacts of the pandemic, and a review of the Entity's strategic plan for the coming months was scheduled. As the current priority is to ensure employee health and safety, there are no plans to resume face-to-face activities presently. WRI Brasil monitors, on an ongoing basis, the morale of its staff, and promotes virtual informal meetings, fitness sessions, and other initiatives intended to keep its people connected during the crisis.

RACHEL BIDERMAN FURRIELA
Executive Director

ANA PAULA SALVADOR DE AGUIAR DA COSTA
Accountant CRC-1-SP228.935-O-8