

NATIONAL BANK FOR ECONOMIC AND SOCIAL
DEVELOPMENT - BNDES

Ref.: Independent auditor's limited
assurance report

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Independent auditor's limited assurance report

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INDEPENDENT AUDITOR'S REPORT

To the
Management of
National Bank for Economic and Social Development - BNDES
RIO DE JANEIRO - RJ

1. Introduction

We were engaged for the purpose of applying limited assurance procedures intended to check the compliance of projects supported by Amazon Fund in 2018 with standards and guidelines applicable to them.

Our responsibility is to issue a limited assurance report on the compliance of the projects supported by the Amazon Fund.

2. Procedures applied

The limited assurance procedures were followed according to the Standard NBC TO 3000 - Assurance Engagement Different from Audit and Review, issued by the Federal Association of Accountants (CFC) and approved by CFC Resolution 1.160/2009, and to ISAE 3000 - International Standard on Assurance Engagements, issued by International Auditing and Assurance Standards Board (IAASB), both for assurance engagements different from audit or review of historic financial information.

The limited assurance procedures comprise:

- a) Planning of the work, considering the relevance, coherence, and volume of quantitative and qualitative information;
- b) Understanding the methodology of analysis of the projects by means of interviews with the managers responsible for the information;
- c) Examining analysis reports, BNDES' management decisions and contracts, checking their compliance with Decree No. 6.527, of August 1, 2008, which addresses the creation of the Amazon Fund by the Brazilian Development Bank (BNDES), particularly the compliance with the provisions of Article 1, and with the standards and guidelines issued by the Amazon Fund Guidance Committee (COFA);
- d) Evaluating the purpose compliance (products and services), expected results and objectives of the projects analyzed by the technical teams of BNDES, approved by its Management, engaged or to be engaged, to verify their compliance, when applicable, with the strategic guidelines included in the Sustainable Amazon Plan (PAS), and with the tactical and operational guidelines of the Action Plan for Prevention and Control of the Legal Amazon Deforestation (PPCDAM) and with the National Strategy for Reduction of Greenhouse Gas Emission Arising from Deforestation and Forest Degradation, Conservation of Forest Carbon Stocks, Sustainable Management of Forests and Increase in Forest Carbon stocks (ENREDD+);
- e) Crosschecking the quantitative and qualitative information of the analysis reports and their conclusions against management decisions and the contracts entered into between BNDES and the executors of the projects.

3. Scope and limitations

The purpose of our work was the application of limited assurance procedures on the compliance by BNDES with the provisions of Decree No. 6.527/2008 in regard to supportable actions, with the guidelines and criteria issued by the Amazon Fund Guidance Committee (COFA) and, when applicable, with the strategic guidelines included in Sustainable Amazon Plan (PAS), and with the tactical and operational guidelines of the Action Plan for Prevention and Control of the Legal Amazon Deforestation (PPCDAM), and with the National Strategy for Reduction of Greenhouse Gas Emission Arising from Deforestation and Forest Degradation, Conservation of Forest Carbon Stocks, Sustainable Management of Forests and Increase in Forest Carbon stocks (ENREDD+), not including an evaluation of the compliance by the beneficiaries of the projects with the obligations agreed with BNDES.

The procedures followed and pertinent analyses made were restricted to the documents made available by BNDES, and their authenticity was not subject to validation.

The procedures applied do not represent an exam of financial statements according to Brazilian and international audit standards.

Our report does not provide limited assurance on targets met, results and expectations, and on information involving subjective evaluation.

Additionally, procedures to identify frauds and the expert exam of documents were not performed.

4. Projects supported

During the performance of the limited assurance work, we analyzed the approvals and contracts of non-reimbursable financial support to projects during 2018, comprising the following executors and their current status:

a) Projects approved in 2017 and contracted in 2018:

| | |
|---------------------------|--|
| Operation No. 5667925 (*) | Kayapó territory, culture and autonomy |
| Operation No. 5697421 (*) | Preserving the Babassu Forest |
| Operation No. 5814060 (*) | More sustainability in the field |
| Operation No. 5928469 (*) | Adding Value to Amazonian Socioproductive Chains |
| Operation No. 5954557 (*) | Environmental Monitoring of Brazilian Biomes |
| Operation No. 5960951 (*) | Forest Cities |
| Operation No. 5991281 (*) | Everlasting Forest |
| Operation No. 6002928 (*) | Plantar Rondônia |

b) Projects approved and contracted in 2018:

| | |
|---------------------------|---|
| Operation No. 5667959 (*) | Indigenous experiences in Land and Environmental Management in Acre |
| Operation No. 5774031 (*) | Clean land |
| Operation No. 5948860 (*) | Tapajós Active Forest |
| Operation No. 5965512 (*) | PPP - ECOS in Amazon, Phase 2 |
| Operation No. 5997021 (*) | Agroecologic Amazon |
| Operation No. 5999746 (*) | Forest agreement |
| Operation No. 6022018 (*) | Integrated legacy of the Amazon region ("LIRA") |
| Operation No. 6023422 (*) | Profisc I - B |

c) Projects approved in 2018 and to be contracted in 2019:

| | |
|---------------------------|---------------------------------------|
| Operation No. 5834967 (*) | Amazon CAR |
| Operation No. 6079754 (*) | Espírito Santo CAR |
| Operation No. 6104073 (*) | Amazon - Environmental regularization |

(*) BNDES internal numbering

5. Environmental aspects of the analyzed projects related to the Amazon Fund

By the end of present work, we were provided with elements that contributed to a better understanding of the matter, both in regard to its current stage and future prospects, in order to assist the decision-making process. There is a great opportunity to promote environmental, social, and economic development and forest conservation in the areas covered by the Fund, with an actual prospect of containment of deforestation in Legal Amazon, and to enable alternatives for protection and sustainable use of the forest, based on the mechanisms and processes included in PPCDAM, PAS, ENREDD+ and in the legal provisions of Decree No. 6.527/2008 and Law No. 12.187/2009.

The analysis of the proposed projects and of the procedures and criteria used in the release of funds from the Amazon Fund has made apparent the axes that guide the scope of these projects and the release of the funds: land use; control and monitoring; promotion of sustainable production activities; science, innovation and economic instruments.

6. Conclusions

a) We crosschecked the clauses of the contracts for financial support to the projects listed in item 4, sub-item "a" (projects approved in 2017 and contracted in 2018) against the wording of BNDES' management decisions, which approved the financial contribution.

We found that the purpose established in BNDES' management decisions, that approved the financial support to the projects was maintained in the contracts. We also found that the contracts did not include any amendments that could affect the compliance of the projects with Decree No. 6.527/2008, and with the criteria and guidelines of COFA and, when applicable, of PAS, PPCDAM and ENREDD+.

The analysis reports and management decisions referring to these projects were the object of our assurance analysis, for the year 2017. The audit report issued on March 27, 2018 concluded on the compliance of the projects with Decree No. 6.527/2008, and with the criteria and guidelines of COFA and, when applicable, of PAS, PPCDAM and ENREDD+.

b) We have crosschecked the information included in the analysis reports of the projects listed in item 4, sub-items "b" and "c" (projects approved and contracted in 2018 and projects approved in 2018 and to be contracted in 2019) against the requirements of Decree nº 6.527/2008, the criteria and guidelines established by COFA and, when applicable, with the strategic orientations of PAS and with the tactic-operational guidelines of PPCDAM, and with ENREDD+.

We did not find any non-conformances.

c) We crosschecked the wording of BNDES' management decisions which approved the financial support to the projects listed in item 4, sub-items "b" and "c" (projects approved and contracted in 2018, and projects approved in 2018 and to be contracted in 2019) against the information included in the analysis reports.

We found that the purpose of the projects, object of the analysis reports issued by BNDES' technical teams, was maintained upon the approval of BNDES' management. We also found that the management decisions did not include any amendments that could affect the compliance of the projects with Decree No. 6.527/2008, and with the criteria and guidelines of COFA and, when applicable, of PAS, PPCDAM and ENREDD+.

d) We crosschecked the clauses of the contracts for financial support to the projects listed in item 4, sub-item "b" (projects approved and contracted in 2018) against the wording of BNDES' management decisions.

We found that the purpose established in BNDES' management decisions, that approved the financial support to the projects was maintained in the contracts. We also found that the contracts did not include any amendments that could affect the compliance of the projects with Decree No. 6.527/2008, and with the criteria and guidelines of COFA and, when applicable, of PAS, PPCDAM and ENREDD+.

Rio de Janeiro, March 27, 2019.