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WRI Brasil
Financial statements
at December 31, 2016
and independent auditor's report





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Independent auditor's report

To the Management and Board Members
WRI Brasil

Opinion

We have audited the accompanying financial statements of WRI Brasil (the "Entity"), which comprise the balance sheet as at December 31, 2016 and the statements of surplus, changes in equity 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, 2016, 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" and Technical Interpretation ITG 2002 (R1) - "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 Entity 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") and Technical Interpretation ITG 2002 (R1) - "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, March 17, 2017

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Adriano Formosinho Correia
Contador CRC 1BA029904/O-5 "S" SP

WRI Brasil
Balance sheet at December 31

All amounts in Reais

(A free translation of the original in Portuguese)

Assets	2016	2015	Liabilities and equity	2016	2015
Current assets			Current liabilities		
Cash and cash equivalents (Note 3)	3,986,970	3,050,351	Accounts payable	37,961	12,372
Other receivables (Note 4)	144,770	405,807	Tax payable (Note 6)	26,563	86,788
	<u>4,131,740</u>	<u>3,456,158</u>	Social charges (Note 7)	1,015,858	216,753
			Advance donations (Note 8)	1,950,876	3,421,957
Non-current assets				<u>3,031,258</u>	<u>3,737,870</u>
Collateral deposit	66,724	66,724	Equity		
Property and equipment (Note 5)	697,624	221,624	Equity (Note 9)	1,902,418	7,721
Intangible assets	37,588	1,085			
	<u>801,936</u>	<u>289,433</u>			
Total assets	<u>4,933,676</u>	<u>3,745,591</u>	Total liabilities and equity	<u>4,933,676</u>	<u>3,745,591</u>

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

WRI Brasil
Statement of surplus
Year ended December 31
All amounts in Reais

(A free translation of the original in Portuguese)

	<u>2016</u>	<u>2015</u>
Operating revenues		
Donations (Note 8)	19,723,873	6,698,977
Voluntary work (Note 11)	5,290	5,034
Services	<u>72,973</u>	
Expenses with activities		
General and administrative expenses (Note 10)	(19,777,960)	(6,550,140)
Tax expenses	(197,049)	(256,943)
Financial result (Note 13)	511,192	124,767
Voluntary work (Note 11)	<u>(5,290)</u>	<u>(5,034)</u>
Surplus for the year	<u><u>333,029</u></u>	<u><u>16,661</u></u>

There was no other comprehensive income in the years, and accordingly no statement of comprehensive surplus is presented.

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

WRI Brasil
Statement of changes in equity
All amounts in Reais

(A free translation of the original in Portuguese)

On January 1, 2015	<u>(8,940)</u>
Surplus for the year	<u>16,661</u>
On December 31, 2015	<u>7,721</u>
Surplus for the year	333,029
Merger of CTS Brasil (Note 1)	<u>1,561,668</u>
On December 31, 2016	<u>1,902,418</u>

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

WRI Brasil

Statement of cash flows Year ended December 31 All amounts in Reais

(A free translation of the original in Portuguese)

	<u>2016</u>	<u>2015</u>
Cash flow from operating activities		
Surplus for the year	333,029	16,661
Expense not involving cash		
Depreciation and amortization	<u>86,095</u>	<u>26,694</u>
Adjusted surplus for the year	419,124	43,355
(Increase) decrease in other receivables	264,405	(391,332)
Increase in collateral deposit		(66,724)
Increase (decrease) in accounts payable	21,889	(26,716)
Increase in social charges	799,105	165,807
Increase (decrease) in taxes	(62,341)	63,487
Increase (decrease) in advance donations	<u>(1,471,081)</u>	<u>3,034,202</u>
Net cash provided by (used in) operating activities	<u>(28,899)</u>	<u>2,822,079</u>
Cash flow from investing activities		
Acquisition of property and equipment and intangible assets	<u>(310,166)</u>	<u>(232,898)</u>
Net cash used in investing activities	<u>(310,166)</u>	<u>(232,898)</u>
Increase (decrease) in cash and cash equivalents	<u>(339,065)</u>	<u>2,589,181</u>
Cash and cash equivalents at the end of the year (Note 3)	3,986,970	3,050,351
Cash and cash equivalents at the beginning of the year (Note 3)	<u>3,050,351</u>	<u>461,170</u>
Cash and cash equivalents obtained from merger (Note 1)	<u>1,275,684</u>	
Net increase/(decrease) in cash and cash equivalents	<u>(339,065)</u>	<u>2,589,181</u>
Transactions that do not involve cash		
Property and equipment and intangible assets obtained from the merger with CTS	288,432	
Other assets and liabilities obtained from the merger with CTS	(2,448)	

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, 2016

All amounts in Reais, except when otherwise indicated

1 Operating

WRI Brasil ("WRI Brasil" or "Entity") is a non-profit and non-governmental organization with international activities, established in February 2014 in São Paulo, Brazil and with operations starting in June 2014. Its objective is to encourage human society to live in a manner which protects the environment of the Earth and its capacity to attend the needs and aspirations of actual and future generations. In order to achieve its objective WRI Brasil works jointly with other sister organizations of the World Resources Institute, partners in Brazil and all over the world through researches and analyses.

WRI Brasil has the status of a Public Interest Non-profit Entity (OSCIP), through an order by the National Secretary of Justice, published in the Official Gazette (DOU) of September 19, 2014, Recognition Certificate as an environmental entity issued by the Ministry of the Environment and the exemption from Transfer Tax on Death and Donation (ITCMD) granted by the Treasury Department of São Paulo on October 6, 2015 and renewed until October 5, 2017.

On April 20, 2015, WRI Brasil set up a branch in the city of Porto Alegre-RS, named WRI Brasil Sustainable Cities. However, the branch only started its financial operations from January 1, 2016.

On August 26, 2016, WRI Brasil merged CTS Brasil - Sustainable Transportation Center, an entity established on March 9, 2005.

The merger was based on an accounting appraisal report at book value, issued by the company Chamum Assessoria Empresarial as of July 31, 2016. Below are the balances merged:

- (i) Cash and cash equivalents, consisting of current account funds and financial investments at HSBC/Bradesco, amounting to R\$ 1,275,684.
- (ii) Non-current assets, composed of a balance of R\$ 3,368 of accounts receivable, R\$ 250,323 of fixed assets and R\$ 38,109 of intangible assets.
- (iii) Current liabilities, composed of a balance of R\$ 3,700 of suppliers and R\$ 2,117 of social and fiscal obligations.
- (iv) Equity of R\$ 1,561,668.

2 Financial statement presentation and significant accounting practices

These financial statements were approved by the Board of the Entity on March 17, 2017.

The financial statements were prepared in accordance with accounting practices adopted in Brazil, including the provisions of the Resolution of the Federal Accounting Council n. 1409 of September 21, 2012, which approved Technical Interpretation ITG 2002 (R1) - "Non-profit Entities", combined with NBC TG 1000 (CPC PMEs) applicable to small and medium-sized entities.

In accordance with ITG standard 2002 (R1), the fair value of voluntary and donated services is recorded (Note 11).

WRI Brasil

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At December 31, 2016

All amounts in Reais, except when otherwise indicated

Financial reporting requires the use of estimates to account for certain assets, liabilities and other transactions, including the determination of useful lives of property and equipment, the valuation of financial assets at fair value, necessary provisions for liabilities and other evaluations. The actual results may differ from those estimated.

2.1 Functional and presentation currency

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

2.2 Cash and cash equivalents

Cash and cash equivalents are represented by cash and financial investments in reais which have an insignificant risk of change in fair value and that are used for management of short and long-term commitments.

2.3 Financial assets

Management classifies financial assets in the following categories: **(a)** at fair value through surplus and; **(b)** loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at the time they are initially recorded.

(a) Financial assets at fair value through surplus

These are financial assets held for active and frequent trading. All financial assets in this category are classified as current assets. Gains or losses arising from the changes in the fair value of financial assets measured at fair value through surplus are recorded in the statement of surplus as "Financial result" in the period they occur.

(b) Loans and receivables

These comprise loans granted and non-derivative receivables with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included in current assets, except for those that fall due after 12 months from the balance sheet date. Loans and receivables comprise other receivables and are carried at amortized cost using the effective interest rate, when applicable.

2.4 Property and equipment

The items of property and equipment are stated at historical cost of acquisition. Depreciation is calculated using the straight-line method at rates that consider the useful lives of the assets, as shown in Note 5.

WRI Brasil

Notes to the financial statements

At December 31, 2016

All amounts in Reais, except when otherwise indicated

2.5 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of the Entity's activities, being recognized at the invoice or corresponding contract amount. 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.

2.6 Taxes on operations

WRI Brasil is a non-profit organization, exempted from the payment of income tax and social contribution on the net income (Note 14). The status of the other taxes on operating activities is as follows: (a) Social Integration Program (PIS) - contribution of 1% levied on the payroll amount; (b) National Institute of Social Security (INSS) contribution - full payment of the employer's and employees' contributions; (c) Withholding Income Tax (IRRF) on revenues from financial investments - carried out regularly by the financial institutions.

2.7 Other current assets and liabilities

Assets are stated at their acquisition cost, plus the income and any foreign currency variations accrued, net of the provision for adjustment to the realizable amount, when applicable. Liabilities recorded are stated at known or estimated amounts including, when applicable, the related charges and monetary variations incurred up to the balance sheet date.

2.8 Equity

Consists of donations received from third parties, increased or decreased by the surplus or deficit computed for each period.

2.9 Determination of surplus (deficit)

Income from donations is recorded upon receipt. Other revenue and expenses are recorded on the accrual basis of accounting. Funds that were not used and that are committed for future operations are reclassified in liabilities as "Advance donations".

2.10 Critical accounting estimates and judgments

Information about critical judgments regarding accounting policies adopted which have effects on the amounts recognized in the financial statements are as follows:

Impairment of non-financial assets

Non-financial assets are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired the carrying value of the asset is tested for impairment. An impairment loss is recognized for the excess of the carrying amount of the

WRI Brasil

Notes to the financial statements

At December 31, 2016

All amounts in Reais, except when otherwise indicated

asset in relation to its recoverable amount. This amount is the higher of fair value (Cash Generating Units - CGU) less costs to sell and value in use. Non-financial assets that have been reduced due to impairment are assessed in order to determine a possible loss provision reversal at the date of the balance sheet.

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 current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3 Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
Cash	5,349	1,000
Current account	27,053	10
Financial Investments (*)	<u>3,954,568</u>	<u>3,049,341</u>
	<u>3,986,970</u>	<u>3,050,351</u>

(*) Financial investments are comprised of Investment in Fund Itaú Premium DI FICFI and Bradesco Referenced DI LP, with daily liquidity, used for the management of short and long-term commitments of the Entity.

The amount of R\$ 1,334,189 in financial investments was obtained from the merger of CTS Brasil. This value is applied in the Bradesco Referenced DI LP.

4 Other accounts receivable

Comprised mainly of advances and recoverable taxes.

WRI Brasil

Notes to the financial statements

At December 31, 2016

All amounts in Reais, except when otherwise indicated

5 Property and equipment

	2016		2015		
	Cost	Accumulated depreciation	Net	Net	Annual depreciation rates - %
Furniture and fittings	345,669	(76,125)	269,544	74,079	10
IT equipment	291,772	(141,851)	149,921	38,331	20
Machinery and equipment	46,654	(21,957)	24,697		10
Improvements in property	225,090	(42,533)	182,557	77,759	20
Installations	78,841	(7,936)	70,905	31,456	20
	988,026	(290,402)	697,624	221,625	

The change in property and equipment is as follows:

	2016	2015
At the beginning of the period	221,624	14,335
Additions	310,166	232,898
Merger of CTS	250,323	
Depreciation	(84,489)	(25,609)
At the end of the period	697,624	221,624

6 Tax liabilities

At December 31, 2016, these refer mainly to contributions and service tax (ISS) withheld on invoices from suppliers.

	2016	2015
Tax liabilities	26,563	86,788

The reduction in the tax liabilities is due to the lower value of third-party services in December 2016, with total invoices of R\$ 262,084. In December 2015, the Entity had invoices for services which totaled R\$ 716,050.

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Notes to the financial statements

At December 31, 2016

All amounts in Reais, except when otherwise indicated

7 Social charges

	<u>2016</u>	<u>2015</u>
Vacation provision	747,124	158,578
Social charges	<u>268,734</u>	<u>58,175</u>
	<u>1,015,858</u>	<u>216,753</u>

The increase in liabilities with social charges is due to the opening of the branch of WRI Brasil in Porto Alegre - RS, since 2015 there was only the head office in São Paulo - SP. The employees of CTS Brasil (merged) were transferred to the branch of WRI Brasil.

8 Voluntary donations

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

Of the total funds received from donations between 2014 and 2016, R\$ 19,723,872 were used in the present period and R\$ 1,950,876 will be used in 2017 in the continuity of operations and projects.

The receipt of corporate donations is as follows:

	<u>2016</u>	<u>2015</u>
Receipt from legal entities donations (i)	18,619,360	6,563,555
Transfer tax on death or donation (ITCMD)	<u>(21,230)</u>	<u>(196,017)</u>
Net receipt of voluntary donations	<u>18,598,130</u>	<u>6,367,538</u>

(i) 93% of the donations received from WRI DC *subgrants*.

9 Equity

Equity is comprised of the surplus or deficit of the period, and R\$ 1,561,668 obtained with the merger of CTS Brasil.

In the event the Entity is terminated, its net assets must be transferred to a non-profit entity or entities with similar purposes, qualified under the terms of Law 9,790/99.

If the Entity loses the qualification established in Law 9,790/99, the respective net assets available, obtained with public funds during the period of the qualification, will be transferred to another entity which is so qualified, preferably with the same purpose.

WRI Brasil

Notes to the financial statements

At December 31, 2016

All amounts in Reais, except when otherwise indicated

10 Administrative and general expenses

	<u>2016</u>	<u>2015</u>
Services provided by legal entities (i)	(4,447,657)	(2,780,689)
Personnel (i)	(10,372,078)	(2,283,916)
Travel (i)	(2,804,281)	(580,526)
Project costs	(600,774)	(217,852)
Costs of movable and immovable property (i)	(1,173,762)	(601,302)
Other expenses (ii)	(379,408)	(85,855)
	<u>(19,777,960)</u>	<u>(6,550,140)</u>

(i) The significant increase of expenditure shown above is due to the opening of the branch of WRI Brasil in Porto Alegre, with the expansion of the personnel and projects. And specifically, for the costs of movable and immovable property, the increase is due to the expansion of the head office in São Paulo.

(ii) Other expenses are comprised of depreciation, utilities costs and other general expenses.

11 Voluntary work

Voluntary work and services that did not involve a disbursement of resources by the Entity refer to the time dedicated by the members of the WRI Brasil Board. Had the entity paid to obtain these services, it estimates that it would have paid approximately R\$ 5,290 in 2016.

	<u>2016</u>	<u>2015</u>
Administrative Board	5,290	5,034
	<u>5,290</u>	<u>5,034</u>

The fair value of voluntary work described above is presented in accordance with the interpretation ITG-2002 (R1) approved by CFC Resolution 1,409/12.

WRI Brasil

Notes to the financial statements

At December 31, 2016

All amounts in Reais, except when otherwise indicated

12 Key management personnel

The key management personnel in 2016 includes 6 directors (executive director, operational director, strategic relations and development director and 3 program directors). In 2015, there was only the executive director. The annual total compensation paid to key management personnel for services rendered is as follows:

	<u>2016</u>	<u>2015</u>
Total remuneration of key management personnel	<u>3,000,137</u>	<u>764,118</u>

Of 6 directors in 2016, 2 are at WRI Brasil in São Paulo and 4 at the branch in Porto Alegre.

13 Financial result

	<u>2016</u>	<u>2015</u>
Income from financial investments	523,029	128,507
Bank expenses	<u>(11,837)</u>	<u>(3,740)</u>
	<u>511,192</u>	<u>124,767</u>

14 Tax aspects

Non-profit organizations are entities that do not present surplus in their accounts, or, if they present a surplus in a certain fiscal year, appropriate it fully to the maintenance and development of the social objectives of the organization, if other legal conditions are met.

The organization meets the requirements of the legislation, and is therefore immune from income tax (based on article 150 of the Brazilian Federal Constitution) and exempted from social contribution on surplus and Social Contribution on Revenues (COFINS). In accordance with the disclosures required by NBC ITG - 2002 - "Non-profit entities", if the organization were not exempted, the rate in effect would be 9% (social contribution), 7.6% (COFINS), 1.65% (PIS/Invoicing) and 15% (income tax).



WRI Brasil

Notes to the financial statements

At December 31, 2016

All amounts in Reais, except when otherwise indicated

The estimated taxes that would have been incurred if the immunity and exemption were not in effect are as follows:

	<u>2016</u>	<u>2015</u>
	(unaudited)	(unaudited)
IRPJ	49,954	2,499
CSLL	29,973	1,450
COFINS	1,504,560	509,122
PIS	326,648	110,533
	<u>1,911,135</u>	<u>623,604</u>

15 Legal proceedings

The entity has no labor, legal or non-judicial proceedings against it.

16 Other information

- (a) In the years ended December 31, 2015 and 2016, the Entity did not utilize derivate financial instruments.
- (b) The Entity does not maintain pension plans or any other retirement benefit plans for the employees and officers after their termination or a bonus or profit sharing plan for the officers and employees.

17 Insurance coverage

The Entity has purchased D&O insurance with a limit of R\$ 5,000,000 and effective from November 18, 2016 to November 18, 2017, with a total premium of R\$ 7,472.

RACHEL BIDERMAN FURRIELA

Executive Director

ANA PAULA AGUIAR DA COSTA SALVADOR

Accountant CRC-1-SP 228,935-O-8

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