

(A free translation of the original in Portuguese)

WRI Brasil
Financial statements at
December 31, 2014
and independent auditor's report

(A free translation of the original in Portuguese)

Independent auditor's report

To the Management and Board Members
WRI Brasil

We have audited the accompanying financial statements of WRI Brasil (the "Entity"), which comprise the balance sheet as at December 31, 2014 and the statements of deficit/surplus, changes in equity and cash flow for the period from June 1 to December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

WRI Brasil

Opinion

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, 2014, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil applicable to small and medium-sized entities.

São Paulo, May 11, 2015

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

WRI Brasil

Balance sheet at December 31, 2014

All amounts in reais

(A free translation of the original in Portuguese)

| Assets | 2014 | Liabilities and equity | 2014 |
|------------------------------------|-----------------------|-------------------------------|-----------------------|
| Current assets | | Current liabilities | |
| Cash and cash equivalents (Note 3) | 461,170 | Accounts payable | 39,088 |
| Other receivables (Note 4) | 14,475 | Taxes payables (Nota 6) | 23,301 |
| | | Social charges (Note 7) | 50,946 |
| | | Advance donations (Note 8) | 387,755 |
| | <u>475,645</u> | | <u>501,090</u> |
| Non-current assets | | Equity (Note 9) | |
| Property and equipment (Note 5) | 16,505 | Equity | (8,940) |
| | <u>492,150</u> | | <u>492,150</u> |
| Total assets | <u><u>492,150</u></u> | Total liabilities and equity | <u><u>492,150</u></u> |

The accompanying notes are an integral part of the financial statements

WRI Brasil
Statement of deficit/surplus
Period from June 1 to December 31, 2014
 All amounts in reais

(A free translation of the original in Portuguese)

| | <u>2014</u> |
|---|-----------------------|
| Income from activities | |
| Domestic donations (Note 8) | 1,002,414 |
| Voluntary work (Note 11) | 54,011 |
| Foreign donations (Note 5) | <u>18,100</u> |
| Expenses with activities | |
| General and administrative expenses (Note 10) | (978,265) |
| Tax expenses | (61,386) |
| Finance result (Note 12) | 10,197 |
| Voluntary work (Note 11) | <u>(54,011)</u> |
| Deficit for the period | <u>(8,940)</u> |

There was not other comprehensive result in the reporting period. Therefore a statement of comprehensive result is not presented.

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



WORLD
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WRI Brasil

Statement of changes in equity

All amounts in reais

(A free translation of the original in Portuguese)

At June 1, 2014

Deficit for the period

(8,940)

At December 31, 2014

(8,940)

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

WRI Brasil

Statement of cash flow

Period from June 1 to December 31, 2014

All amounts in reais

(A free translation of the original in Portuguese)

| | <u>2014</u> |
|--|-----------------|
| Cash flow from operating activities | |
| Deficit for the period | (8,940) |
| Expense adjustment not involving cash | |
| Depreciation | 1,595 |
| Adjusted deficit for the period | <u>(7,345)</u> |
| (Increase) decrease in other receivables | (14,475) |
| Increase (decrease) in accounts payable | 39,088 |
| Increase (decrease) in social charges | 50,946 |
| Increase (decrease) in taxes | 23,301 |
| Increase (decrease) in advance donations | <u>387,755</u> |
| Net cash provided by (used in) operating activities | <u>479,270</u> |
| Cash flow from investing activities | |
| Acquisition of property and equipment | <u>(18,100)</u> |
| Net cash used in investing activities | <u>(18,100)</u> |
| Net increase in cash and cash equivalent | <u>461,170</u> |
| Cash and cash equivalents at the end of the period (Note 3) | 461,170 |
| Cash and cash equivalents at the beginning of the period (Note 3) | <u>-</u> |
| Net increase in cash and cash equivalents | <u>461,170</u> |

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

WRI Brasil

Notes to the financial statements

at December 31, 2014

All amounts in reais, except otherwise indicated

1 Operations

WRI Brasil 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 of protecting 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 World Resources Institute, partners in Brazil and all over the World through researches and analysis.

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).

2 Financial statement presentation and significant accounting practices

The financial statements were prepared and are being presented in accordance with accounting practices adopted in Brazil, applicable to small and medium-sized entities (CPC PMEs).

In accordance with ITG standard 2002, approved by CFC Resolution 1,409/12, the fair value of voluntary and donated services is also recorded (Note 11).

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 Organization's functional and presentation currency.

2.2 Cash and cash equivalents

Cash and cash equivalents include funds in domestic currency and financial investments with insignificant risk of change in fair value and which are used by the Organization to meet its short-term commitments.

2.3 Financial assets

Management classifies its financial assets in the following categories: (a) at fair value through profit or loss and (b) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the financial assets at the time they are initially recorded. The portfolio of marketable securities is classified

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

WRI Brasil

Notes to the financial statements

at December 31, 2014

All amounts in reais, except otherwise indicated

as “Trading securities” and includes marketable securities purchased for the purpose of being frequently and actively traded. They are recorded at market value, with realized and unrealized losses and gains recognized in the statement of surplus (deficit).

(a) Financial assets at fair value through profit or loss

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 profit or loss are recorded in the statement of surplus (deficit) as “Finance 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. The Organization’s loans and receivables comprise other receivables. Loans and receivables are subsequently carried at amortized cost using the effective interest method, when applicable.

2.4 Property and equipment

Property and equipment are stated at historical acquisition cost. Depreciation is calculated at the straight-line method at rates that take into account the useful lives of the assets, as stated in Note 5.

2.5 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of the Organization’s activities, being recognized at the invoice amount 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 13). The status of the other taxes on operating activities is as follows: (a) Social Integration Program (PIS) – contribution of 1% levied on the payroll; (b) National Institute of Social Security (INSS) contribution – full payment of the employer’s and employees’ contribution; (c) Withholding Income Tax (IRRF) on revenues from financial investments – carried out regularly by the financial institutions.

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

WRI Brasil

Notes to the financial statements

at December 31, 2014

All amounts in reais, except otherwise indicated

2.7 Other current assets and liabilities

The assets are stated at their acquisition cost, plus the income and foreign currency variations incurred, 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

Equity includes donations received from third parties, increased or decreased by the surplus or deficit computed each year.

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. At the end of the year, the funds that were not used and that are committed to the operation are reclassified in liabilities as "Advance donations".

2.10 Critical accounting estimates and judgments

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

Impairment of non-financial assets

Non-financial assets, except inventory, deferred taxes and fair valued assets (biological assets and investment properties) 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 asset over its recoverable amount. This amount is the higher of fair value (CGU) less costs to sell and value in use. Non-financial assets that have been reduced, except goodwill, are assessed in order to determine a possible loss provision reversal by impairment in 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

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

WRI Brasil

Notes to the financial statements at December 31, 2014

All amounts in reais, except otherwise indicated

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.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognized for future operating losses.

3 Cash and cash equivalents

| | <u>2014</u> |
|---------------------------|----------------|
| Current account | 10 |
| Financial investments (*) | <u>461,160</u> |
| | <u>461,170</u> |

(*) Financial investments are comprised of Fundo Itaú Premium DI FICFI, with daily liquidity, used by the Organization for management of its short-term commitments.

4 Other receivables

At December 31, 2014, these refer to reimbursement of expenses incurred on a project of the Entity which were received on February 4, 2015.

5 Property and equipment

| | <u>2014</u> | | | |
|------------------------|---------------|---------------------------------|---------------|--------------------------------------|
| | <u>Cost</u> | <u>Accumulated depreciation</u> | <u>Net</u> | <u>Annual depreciation rates - %</u> |
| Furniture and fittings | 4,463 | (224) | 4,239 | 10 |
| IT equipment | 12,087 | (1,215) | 10,872 | 20 |
| Software | <u>1,550</u> | <u>(156)</u> | <u>1,394</u> | 20 |
| | <u>18,100</u> | <u>(1,595)</u> | <u>16,505</u> | |

The change in property and equipment was as follows:

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

WRI Brasil

Notes to the financial statements

at December 31, 2014

All amounts in reais, except otherwise indicated

| | <u>2014</u> |
|--------------------------------|----------------|
| At the beginning of the period | - |
| Acquisition of assets (i) | 18,100 |
| Depreciation | <u>(1,595)</u> |
| At the end of the period | <u>16,505</u> |

- (i) The WRI received the fixed assets from WRI DC as donations, which were recorded by its residual value on June 2014.

6 Taxes payables

On December 31, 2014, these refer mainly to Cause Mortis Transfer and Donations Tax (ITCMD) arising from donations received from abroad.

7 Social charges

| | <u>2014</u> |
|--------------------|---------------|
| Vacation provision | 37,878 |
| Social charges | <u>13,068</u> |
| | <u>50,946</u> |

8 Donations and advance 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 in 2014, corresponding to R\$ 1,376,370, R\$ 1,002,414 were used in the present period and R\$ 387,755 will be used in 2015 to continue the operations and projects.

The reconciliation between gross revenue and net revenue is demonstrated below:

| | <u>2014</u> |
|---|------------------|
| Gross Revenue from legal entities donations | 1,376,370 |
| Cause Mortis Transfer and Donations Tax (ITCMD) | <u>(53,298)</u> |
| Net revenue from donations | <u>1,293,073</u> |

9 Equity

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

WRI Brasil

Notes to the financial statements

at December 31, 2014

All amounts in reais, except otherwise indicated

Equity is presented at updated amounts and comprises the initial capital, adjusted by surpluses and deficits.

In the event the Organization 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 Organization 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 qualified, preferably with the same purpose.

10 Administrative and general expenses

| | <u>2014</u> |
|-------------------------------------|------------------|
| Services provided by legal entities | (200,324) |
| Personnel | (663,977) |
| Travel | (104,047) |
| Project costs | (5,116) |
| Other expenses (i) | <u>(4,801)</u> |
| | <u>(978,265)</u> |

- (i) Other expenses are comprised by depreciation, telephone and other general expenses.

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

WRI Brasil

Notes to the financial statements

at December 31, 2014

All amounts in reais, except otherwise indicated

11 Voluntary work

Voluntary work and services that were not represented by an outflow of resources for the Entity refer to the time dedicated by the members of the WRI Brasil's Board and rental cost in the estimated amount of R\$ 54,011..

| | <u>2014</u> |
|------------------------|----------------------|
| Administrative council | 6,061 |
| Rental expenses | <u>47,950</u> |
| | <u><u>54,011</u></u> |

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

12 Finance result

| | <u>2014</u> |
|-----------------------------------|----------------------|
| Income from financial investments | 11,480 |
| Bank expenses | <u>(1,283)</u> |
| | <u><u>10,197</u></u> |

13 Income tax immunity and exemption from social security and social contributions

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, as long as the other legal conditions are met.

The Organization meets the requirements of the legislation, and is therefore exempted from income tax (based on article 150 of the Brazilian Federal Constitution) and 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).

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

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

WRI Brasil

Notes to the financial statements

at December 31, 2014

All amounts in reais, except otherwise indicated

| | <u>2014</u> |
|--------|-----------------------|
| IRPJ | 4,797 |
| CSLL | 2,878 |
| COFINS | 76,183 |
| PIS | <u>16,540</u> |
| | <u><u>100,398</u></u> |

14 Legal proceedings

The Entity has no labour, legal or non-judicial proceedings against it.

15 Other information

- (a) In the period ended December 31, 2014 the Entity did not utilize derivative 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.

16 Insurance

Based on risk evaluation, the management understands that insurance of any kind is not necessary at this moment for its operations.

* * *

RACHEL BIDERMAN FURRIELA
Executive director

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

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

Atenção

**** *Não destacar esta folha do trabalho* ****

Departamento de Traduções - 13º andar

Dados do Projeto

Cliente **WRI BRASIL**
 Departamento Assurance
 Tipo de trabalho DF 31.12.14
 Idioma P/I
Nome do arquivo **WRIBR14GHM.DOCX**
 Código para débito 01038497/P001
 Sócio Adriano Correia
 Gerente Fabiana Costa
 Sócio substituto
Encaminhar para **Fabiana Costa**

Andamento - Traduções

| | Nome | Data | Observações |
|---------------------|-------------------------------|------------------------|---|
| Entrada | | 24.04.15 | <input type="checkbox"/> Track Changes <input type="checkbox"/> |
| Tradução | Mel (parecer) / Cliente (DFs) | 24, 27 e 29.04.15 | <input type="checkbox"/> Free Translation |
| Revisão da tradução | GHM | 29.04.15 | <input type="checkbox"/> Ponto por vírgula <input type="checkbox"/> |
| Correções | Sandra | 29.04.15 | <input type="checkbox"/> Corretor ortográfico |
| Tradução parecer | Mel | 29.04.15 (nova versão) | <input type="checkbox"/> Montagem ITR <input type="checkbox"/> |
| Revisão do parecer | GHM | 30.04.15 | <input type="checkbox"/> Formatação |
| Correções | Sandra | 30.04.15 | <input type="checkbox"/> Correções <input type="checkbox"/> |
| Correções | | | <input type="checkbox"/> Rodapé |
| 3ª. Revisão | | | <input type="checkbox"/> OK |

HISTÓRICO DE ALTERAÇÕES / PONTOS DE ATENÇÃO PARA O USUÁRIO

| Página da versão original | VERSÃO ORIGINAL | Página da versão traduzida | VERSÃO TRADUZIDA |
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|----------------------------------|---|-----------------------------------|-------------------------|
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