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**INSTITUTO TERRA  
FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31st, 2021**

**INSTITUTO TERRA**

FINANCIAL STATEMENTS CLOSED ON DECEMBER 31st, 2021

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## INDEPENDENT AUDITOR'S REPORT ON ACCOUNTING STATEMENTS

To  
the Management of  
**Instituto Terra**  
Aimorés - MG

### Opinion on the accounting statements

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The accounting statements of **Instituto Terra**, ("**Institute or Entity**") have been audited, which comprise the balance sheet on December 31st, 2021, and the related statements of income, comprehensive income, changes in owner's equity, and cash flows for the fiscal year then ended, as well as the explanatory notes, including a summary of significant accounting policies.

In our opinion, the accounting statements aforementioned present appropriately, in all relevant matters, the equity and financial position of **Instituto Terra** on December 31st, 2021, the performance of its operations and its cash flows for the fiscal year then ended, in accordance with the accounting practices adopted in Brazil.

### Basis for opinion on accounting statements

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Our audit was conducted per Brazilian and international auditing standards. Our responsibilities, in compliance with such standards, are described in the following section entitled "Auditor's responsibilities for the audit of the accounting statements". We are independent concerning **Instituto Terra**, according to the relevant ethical principles provided for in the Code of Ethics for Professional Accountants and the professional standards issued by the Federal Accounting Council, and we comply with our other ethical responsibilities according to these standards. We believe that the audit evidence we have obtained is enough and appropriate to provide a basis for our opinion.

### Other matters

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#### **Audit for the previous fiscal year**

The financial statements of **Instituto Terra**, for the fiscal year ended on December 31st, 2020, were audited by us, with a report dated June 30th, 2021, containing no changes.

## Management and governance responsibility for the accounting statements

The management is responsible for the preparation and appropriate presentation of the accounting statements according to the accounting practices adopted in Brazil and for the internal controls it has determined as necessary to enable the elaboration of accounting statements that are free from relevant misstatement, whether due to fraud or mistake.

In the preparation of the accounting statements, management is responsible for assessing the ability of **Instituto Terra** to continue operating and disclosing, when applicable, matters related to its operational continuity and the use of this accounting base in preparing the accounting statements, except if management either intends to liquidate **Instituto Terra** or terminate its operations, or has no realistic alternative to prevent the ending of operations.

Those responsible for Company's governance are those responsible for monitoring the accounting statements preparation process.

## Auditor's responsibility for the audit of the accounting statements

Our objectives are to obtain reasonable assurance about whether the accounting statements as a whole are free from relevant misstatement, whether due to fraud or mistake and to issue an auditor's report including this opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with Brazilian and international auditing standards will always detect any material distortions that may exist. Distortions may be due to fraud or mistake and are considered relevant when, individually or collectively, they may influence, within a reasonable perspective, the users' economic decisions taken based on the aforementioned financial statements.

As part of the audit performed according to Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and assess the risks of relevant misstatement in financial statements, regardless of whether caused by fraud or mistake, plan and execute audit procedures in response to such risks, and obtained appropriate and sufficient audit evidence to support our opinion. The risk of not detecting a relevant misstatement resulting from fraud is higher than that resulting from mistake since fraud may involve the act of circumventing internal controls, collusion, forgery, omission or intentional misrepresentations.
- We obtain an understanding of the internal controls relevant to our audit to plan audit procedures appropriate to the circumstances, but not with the purpose of express an opinion on the effectiveness of **Instituto Terra** internal controls.
- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management.
- We conclude on the adequacy of the management using of the accounting base of operational continuity and, based on the obtained audit evidences, whether there is a relevant uncertainty regarding events or conditions that may raise significant doubt regarding **Instituto Terra** operational continuity ability. If we conclude that a relevant uncertainty exists, we are required to draw attention in our auditor's report to the respective disclosures in the accounting statements or to include modifications to our opinion if the disclosures are inadequate. Our conclusions are based on the audit evidences obtained up

to the date of our report. However, future events or circumstances may cause **Instituto Terra** to no longer stay in operational continuity.

- We assess the overall presentation, structure and content of the accounting statements, including the disclosures, and whether the accounting statements represent the underlying transactions and events in a manner that achieves appropriate presentation.
- We obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the accounting statements. We are responsible for the management, monitoring, and performance of the group audit and, consequently, for the audit opinion.

We communicate with those charged with governance regarding, among other aspects, the planned scope and the time of the audit, and significant audit findings, including any suggestions for improvements in internal controls that we identify during our work.

Vitória/ES, May 31st, 2022.



**RSM ACAL AUDITORIA E CONSULTORIA LTDA.**  
**CRC 2 SP 43.217/O – S - ES**



**Breno Mamari Pessoa**  
**Accountant CRC 1 ES 15.212/O-9**



**Robson Luiz Perim**  
**Accountant CRC 1 ES 14.255/O-6**

TABLE 1

## INSTITUTO TERRA

## Balance sheet

Fiscal years ended on December 31st  
(In thousands of reais)

Assets	Note	2021	2020	Liabilities	Note	2021	2020
<b>Current</b>				<b>Current</b>			
Cash and cash equivalents	4	1,536	393	Social and employment legislation liabilities	12	501	482
Restricted financial investment	4	2,989	1,666	Tax obligations		20	13
Values applied in projects	5(b)	3,730	1,912	Agreements to be executed	5(a)	7,332	3,564
Accounts receivable from customers	6	3	219	Suppliers and other payable accounts	13	107	134
Advance Payments	7	18	283	Loans	14	135	335
Inventory	8	997	524			<u>8,095</u>	<u>4,528</u>
		<u>9,273</u>	<u>4,997</u>				
<b>Non-Current</b>				<b>Equity</b>			
Judicial deposits	9	138	133		15		
Fixed Assets	10	4,456	4,277	Donations and grants		4,924	4,924
Intangible Assets	11	16	19	Aggregated surplus		864	(26)
		<u>4,610</u>	<u>4,429</u>			<u>5,788</u>	<u>4,898</u>
<b>Total Assets</b>		<u><b>13,883</b></u>	<u><b>9,426</b></u>	<b>Total Liabilities and Equity</b>		<u><b>13,883</b></u>	<u><b>9,426</b></u>

The explanatory notes of the management are an integral part of these financial statements.

TABLE 2

**INSTITUTO TERRA**  
**Statement of Surplus (deficit)**  
**Fiscal years ended on December 31st**  
**(In thousands of reais)**

	Note	2021	2020
<b>OPERATING REVENUE</b>	16	<b>8,159</b>	<b>5,225</b>
<b>With Restraint</b>		<b>2,562</b>	<b>2,054</b>
Education and culture		-	120
Environmental activities		2,562	1,934
<b>No restraints</b>		<b>5,597</b>	<b>3,171</b>
Revenue from services and products sold		181	317
Voluntary contributions and donations		3,818	1,538
Free of charge		1,598	1,314
Other resources received		-	2
<b>OPERATING COSTS AND EXPENSES</b>		<b>(6,127)</b>	<b>(5,004)</b>
<b>Project Activities</b>		<b>(6,127)</b>	<b>(5,004)</b>
Education and culture		(500)	(666)
Environmental activities		(4,317)	(3,503)
Cost of services and products sold		(1,310)	(835)
<b>GROSS PROFIT</b>		2,032	221
<b>OPERATING EXPENSES</b>	16		
<b>Administrative</b>		<b>(1,136)</b>	<b>(908)</b>
Salaries		(419)	(362)
Social contributions		(144)	(126)
Employee benefits		(73)	(58)
General expenses		(101)	(105)
Housekeeping		(11)	(9)
Third party services		(388)	(248)
Depreciation and amortization		(29)	(31)
<b>NET FINANCIALS</b>		<b>867</b>	<b>(718)</b>
<b>PROCEEDING AMOUNTS</b>			
Financial investment receipt		71	24
<b>FINANCING EXPENSES</b>			
Bank Fees		(11)	(7)
Interests and fines		(16)	(10)
Income tax on financial investment		(4)	(D)
IOF on financial transactions		(17)	(10)
Losses on financial investment		-	(5)
		(48)	(33)
<b>SURPLUS/DEFICIT FOR THE FISCAL YEAR</b>		<b>890</b>	<b>(727)</b>

The explanatory notes of the management are an integral part of these financial statements.



**TABLE 3**  
**INSTITUTO TERRA**

**Comprehensive income statement**  
**Fiscal years ended on December 31st**  
**(In thousands of reais)**

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	<u>2021</u>	<u>2020</u>
Surplus/deficit for the fiscal year	<u>890</u>	<u>(727)</u>
Comprehensive income	<u>890</u>	<u>(727)</u>

The explanatory notes of the management are an integral part of these financial statements.

**TABLE 4****INSTITUTO TERRA****Statement of changes in Shareholders' Equity**  
**Fiscal years ended on December 31st**  
**(In thousands of reais)**

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	<u>Property</u>	<u>Surplus</u>	<u>Total</u>
As of January 1, 2020	<u>4,924</u>	<u>701</u>	<u>5.625</u>
Deficit for the fiscal year	-	(727)	(727)
As of December 31, 2020	<u>4,924</u>	<u>(26)</u>	<u>4,898</u>
Surplus of the fiscal year	-	890	890
As of December 31, 2021	<u>4,924</u>	<u>864</u>	<u>5,788</u>

The explanatory notes of the management are an integral part of these financial statements.

**TABLE 5****INSTITUTO TERRA**
**Cash Flow Statement**  
**Fiscal years ended on December 31st**  
**(In thousands of reais)**

	<u>2021</u>	<u>2020</u>
<b>Cash flow from operational activities</b>		
Surplus (deficit) for the fiscal year	890	(727)
Depreciation	237	143
Amortization	7	7
Gain with indexation	(6)	(4)
<b>Changes in assets and liabilities</b>		
Advance Payments	265	(200)
Values applied in projects	(1,818)	i 353
Trade accounts receivable	216	(214)
Inventories	(472)	(8)
Social and employment legislation liabilities	19	15
Tax obligations	7	1
Agreements to be executed	3,768	1,907
Loans and financing	(200)	200
Other liabilities	(27)	32
<b>Net cash generated from operational activities</b>	<u>2,885</u>	<u>799</u>
<b>Cash Flow from Investing Activities</b>		
Purchases of intangible assets	(4)	-
Purchases of fixed assets	(415)	(116)
Write-off of fixed assets	-	61
<b>Net cash consumed in investing activities</b>	<u>(419)</u>	<u>(55)</u>
<b>Increase (decrease) in net cash and cash equivalents</b>	<u>2,466</u>	<u>744</u>
Cash and cash equivalents at the beginning of the fiscal year	2,059	1,315
Cash and cash equivalents at the end of the fiscal year	4,525	2,059
<b>Increase (decrease) in net cash and cash equivalents</b>	<u>2,466</u>	<u>744</u>

The explanatory notes of the management are an integral part of these financial statements.

# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

### 1. 1. OPERATING CONTEXT

Instituto Terra is a non-profit civil association founded in 1998, based on the Bulcão Farm, located in the Municipality of Aimorés, in the State of Minas Gerais, which was transferred to the Institute for an undetermined period through a Private Instrument of Comodate of July 04th, 2000, by its owners, Mr. Sebastião Ribeiro Salgado Júnior and Mrs. Lélia Deluiz Wanick Salgado, creators and founding for-life investors of the Institute.

In August 2007, the owners donated the property to the Institute through a "Deed of Donation with a charge", a charge related to the achievement of the Institute's social objectives, and the permanent and unrestricted perennial observance of the legal precepts applicable to Private Natural Heritage Reserves (RPPN).

Bulcão Farm, with a total area of 7098000 m<sup>2</sup>, 60860000 m<sup>2</sup> recognized as an RPPN by Order IEF/MG No. 081, enacted on October 7th, 1998, is about the first RPPN created in a degraded area of Atlantic Forest in Brazil. It is managed by Instituto Terra with the aim to stimulate sustainable development through the recovery and conservation of forests and the correct use of natural resources. To this end, the Institute has been acting in five areas: ecosystem restoration, environmental education, native seedling production, environmental extension / Programa Olhos D'água, and applied research.

On December 17th, 1999, the Instituto Terra was declared public service by the Municipal Office of Aimorés, through Law No. 1.613/1999, becoming exempt of municipal taxes, as long as it fulfills its statutory objective.

The Institute obtained the title of Atlantic Forest Advanced Program – RBMA (2009) – being the first RBMA in Minas Gerais - proving that it develops, regularly and measurably, significant actions in the three basic functions of the Biosphere Reserves: conservation, knowledge, and sustainable development, as defined by the MaB Program - UNESCO.

It also obtained the titles of state public service by Minas Gerais (2005) and Espírito Santo (2011), and federal (2011).

In 2011 commercial activities were started with a view to the economic-financial sustainability of the institution, such as the marketing of Atlantic forest seedlings and souvenirs.

Although Instituto Terra has had initiatives to recover sources in the Rio Doce watershed since 2010, in 2015 it launched the "Programa Olhos D'água", whose main goal is to contribute to the recovery of sources located in the 228 municipalities that composes the Rio Doce Valley, in the states of Minas Gerais and Espírito Santo.

The program's initial estimate is to recover around 345 thousand sources by planting more than 50 million native trees in areas that are to be protected by protective fences. As a strategy to achieve better results, the projects are focused on acting in micro-watersheds. Furthermore, the program also foresees the installation of mini sewage treatment stations, the construction of small dams (barraginhas), the application of several crops, and the regularization of the Rural Environmental Registration - CAR, of the properties with recovered sources that adhere to the program.

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(In thousands of reais, except when otherwise indicated)

Besides revenues from donations of services and specific projects restricted to the program, the Institute also receives national and international donations from individuals and other entities, to help the cause of the recovery of the Rio Doce Valley as a whole, however without specific contractual purposes. Both contractually binding agreements and free donations are allocated and directed to the Programa Olhos D'água.

Considering that in 2021 the COVID-19 pandemic continued to affect society as a whole, the Institute kept in force the restrictive measures from the previous year, gradually easing them, reaching the end of the year at a pace close to normality, which allowed it to maintain 100% of the fixed employees, and hiring a significant number of employees to assist the planting goals in the rainy season (starting in November).

Operationally, the goals related to the production of seedlings, reforestation, and recovery of sources were fulfilled.

As of November, the selection of young students has resumed, aiming at post-technical training at NERE - Núcleo de Estudos em Recuperação Ecológica (Center for Studies in Ecosystem Recovery). Only the visitation program was kept suspended.

To maintain economic and financial sustainability, additional efforts were made so that the commitments to all partners and other stakeholders were fully achieved, thus ensuring the continuity of the business as a whole.

The projections for 2022 confirm that the Institute can pay its current obligations, through cash and partly by receiving short-term receivables (from previously signed agreements and recurring donations), with no risk of having its liquidity affected.

For 2022 also, we plan to sign the largest contract for the recovery of sources in the Institute's history, for which we are finishing negotiations with KfW - KfW Development Bank.

## 2. Basis of preparation

### a. Declaration of Conformity

The financial statements were prepared following practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee for Small and Medium Enterprises (CPC PME), applicable to small and medium companies, especially concerning the NBC ITG 2002 (R1), which deals with non-profit entities

The issue of the accounting statements was authorized by management on May 11th, 2022.

### b. Measurement basis

The accounting statements have been prepared on a historical cost basis, except for the non-derivative financial instruments measured at fair value through applicable profit or loss.

# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

### c. Functional and presentation currency

These accounting statements are presented in Reais since this is the Institute's functional currency.

Foreign currency transactions are translated into functional currency based on the exchange rates prevailing on the base dates of the transactions.

### d. Use of estimates and judgments

The preparation of accounting statements according to accounting practices adopted in Brazil requires that the entity's management uses its judgment in determining and recording accounting estimates.

The estimates and assumptions are reviewed permanently. Revisions to estimates are recognized prospectively.

Accounting balances subject to these estimates and assumptions applicable to the entity's accounting statements include the residual value of fixed assets. The settlement of transactions involving these estimates may result in different values from the estimated ones, due to the inaccuracies inherent in their process of determination. The Institute reviews the estimates and assumptions annually.

Information on assumptions and estimates, which have a significant risk of resulting in a material adjustment within the next fiscal years, are included in the following notes:

- Explanatory Note No. 9: fixed assets (useful life);
- Explanatory Note No. 10: deposit in court;

## 3. Summary of the adopted accounting practices

The accounting statements were prepared and are being presented according to the accounting practices adopted in Brazil.

### 3.1. Restricted contributions and donations

The contributions or donations in currency and in goods, and dissociated charity services are those for which the donor does not stipulate a specific purpose or conditions to be fulfilled by the Institute. Such donations are classified directly in the income statement accounts of the fiscal year.

### 3.2. Restricted donations

Restricted donations are those where the donor stipulates a specific purpose or obligations and conditions to be fulfilled by the Institute. The donations and

## **INSTITUTO TERRA**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

**As of December 31, 2021**

**(In thousands of reais, except when otherwise indicated)**

respective applications are recorded at the moment the donor of the resources formally confirms that the referred obligations have been fulfilled by the Institute.

#### **3.3. Equity Contributions and Donations**

The equity contributions and donations are those received exclusively for the acquisition and/or construction of fixed assets, and are registered in the equity under "Donations and Subventions Funds".

#### **3.4. Determination of the surplus or deficit**

The proceeding amounts and expenses are determined on an accounting period. The revenues not linked to donations for the costing of the Institution are recognized in the result when received, with the purpose of funding the several activities developed, as they do not have a specific sponsor.

#### **3.5. Accounts receivable from customers**

The accounts receivable derive from sales of products or services, made by credit cards, bank payment slips, and bank deposits, and are recorded at their nominal value.

The provision for doubtful credits is made when there is objective evidence that the Institute will not receive all the values expected to be paid according to the original terms of the accounts receivable. ,

#### **3.6. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, bank deposits, and other short-term highly liquid investments with original earnings of up to three months (with insignificant risk of change in value).

#### **3.7. Values applied in projects**

These are applications of agreements linked to projects, which have not yet been submitted for approval and/or are awaiting approval of the rendering of accounts by the donor.

#### **3.8. Inventories**

They are presented at the cost value of merchandise purchased for resale, post-planting inputs, produced seedlings, or merchandise received as a donation for application in the Programa Olhos D'Água.

Inventories are stated at cost, or net realizable value, whichever is lower. Cost is determined by the inventory valuation method "weighted average cost", and net value is the estimated selling price in the normal course of business, minus the estimated costs of completion and the costs necessary to make the sale.

# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

The nature of products in s stock are: souvenirs, foodstuffs, ready, conducted seedlings, inputs used in the production of seedlings, inputs used in the growth of planted seedlings, and inputs for fencing springs on rural properties.

### 3.9. Agreements to be executed

The balance in executable agreements corresponds to the values released by the donors, not yet applied in their respective projects as of the balance sheet date and/or if they have been applied in the respective projects, which have not yet been submitted for approval or are awaiting approval by the donor.

### 3.10. Fixed Assets

Items of fixed assets are stated at cost of acquisition, formation, or construction minus depreciation. Depreciation is calculated by the straight-line method at the rates mentioned, as shown below, and takes into account the estimated assets' useful life. The depreciation charges were allocated to costs related to education, environmental, and sustainability initiatives, as well as to administrative expenses concerning the real estate used for this purpose. Historical cost includes directly attributable expenditures necessary to prepare the asset for its intended use by management, excluding financing costs.

The Institute includes in the book value of an item of fixed assets, the cost of replacement parts, only when it is probable that this cost will provide future economic benefits, with the book value of the replaced parts being written off. All other repairs and maintenance are accounted for, when incurred, as expenses for the fiscal year.

In this fiscal year, implements used in the production of seedlings were included in the fixed assets, as they can be reused for periods longer than 12 months. These implements are composed of trays and tubes used in the handling of seedling production and were allocated in the line of "Furniture and utensils" depreciated at the following rates: tubes 10% and trays 20% annually.

The assets' residual values, useful lives, and depreciation methods are reviewed and adjusted annually, considering the estimated tax useful lives of the respective components:

<b>Components</b>	<b>Annual depreciation tax rate</b>
Buildings	25
Machines and equipment	10
Furniture and utensils	10 to 20
Vehicles	5
Forest nursery	10
Improvements in business facilities	10



# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

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### 3.11. Intangible Assets

Separately acquired trademarks, licenses (including software license), and contractual relationships are stated at historical cost minus amortization. Amortization is calculated using the straight-line method at the rates mentioned below:

<u>Components</u>	<u>Annual Amortization Tax Rate</u>
Trademarks and patents	5
Software	5

### 3.12. Suppliers

Suppliers and other accounts payable are recognized at fair value and paid in the short term.

### 3.13. Loans

Loans are initially recognized at transaction value (i.e. the amount received from the bank, including transaction costs) and subsequently stated at amortized cost.

### 3.14. Equity

It represents the Institute's initial equity, the "Donations and Subventions" of its constitution, and the result of the surplus (deficit) of the fiscal years. The surpluses generated are completely used in its social objectives, as well as the deficits are acquitted by the social equity.

### 3.15. Recognition of Revenues

#### a) Sale of products

The Institute produces native Atlantic Forest seedlings, in its own nursery, for use in its reforestation activities, selling the surplus. It also sells souvenirs and guided tours and rents its facilities for events or lodging, all as a source of sustainability.

Receipt of sales is usually by cash, credit card, slip, or bank deposit. The income from this revenue is invested in the Institute's overall objective.

#### b) Rendering of services

The Institute provides services of ecosystem restoration, protection, and recovery of sources through its various programs. These services are usually covered in contracts.

## **INSTITUTO TERRA**

### **EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

**As of December 31, 2021**

**(In thousands of reais, except when otherwise indicated)**

The revenue from services rendered is recognized in the result according to each contract, taking into account the stage of execution of the contracted service.

#### **3.16. Other current and non-current assets and liabilities**

Current and non-current assets are stated at cost or realizable value, including, when applicable, monetary variations and the corresponding earned income. Current and non-current liabilities are stated at known or estimated values, plus, when applicable, monetary variations and the corresponding charges incurred. There are no assets or liabilities subject to relevant adjustments to bring their measurement to present realizable value.

#### **3.17. Contingent assets and liabilities and legal obligations**

The accounting practices for recording and disclosing contingent assets and liabilities and legal obligations are as follows: (i) contingent assets are recognized only when there is real security or favorable final and unappealable court decisions. Contingent assets with probable success are only disclosed in an explanatory note; (ii) contingent liabilities are provisioned when losses are assessed as probable, and the values involved can be measured with sufficient certainty. The contingent liabilities assessed as possible losses are only disclosed in an explanatory note and the contingent liabilities assessed as remote losses are neither accrued nor disclosed; and (iii) legal obligations are recorded as liabilities independent of the likelihood of success of lawsuits in which the Entity challenged the unconstitutionality of taxes.

#### **3.18. Free of charge**

The Institute recognizes in its financial statements the gratuities that are at its disposal in the form of professional services/activities received free of charge and with the same quality and responsibility as a paid service/activity. These gratuities, also known as "Pro Bono", are recognized at their fair value.

#### **3.19. Special taxation regime**

As a non-profit institution, the assets, income, and services provided by the Institute are immune to Income Tax and of any kind or nature, to the Social Contribution on Net earnings and the COFINS - Contribution for Social Security Financing), as per constitutional provisions and Law No. 9.532/1997. In turn, the PIS - Social Integration Program is calculated at the rate of 1% on the payroll. It is also exempt from payment of municipal taxes (ISS - Service Tax).

#### **3.20. Derivative and financial instruments**

The Entity assess the financial instruments through operational strategies and internal controls, aiming at liquidity, profitability, and security. The control policy consists of permanent monitoring of the contracted conditions versus conditions prevailing in the market. The Institute does not make speculative investments, in derivatives or any other risk assets that do not have protection purposes.

# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

### 3.20.1. Considerations about the main risks

#### (i) Credit Risk

The indicators confirm that the Institute has the capacity to pay its current obligations, from cash and partly by receipt of short-term receivables (from previously signed agreements and recurring donations), having a financial balance with no liquidity problems foreseen.

#### Financial Instruments

##### Explanatory note:

Financial Instruments	Category	2021	2020
Loans and receivable			
Free cash and cash equivalents	Loans and receivable	1,536	393
Restricted cash and cash equivalents	Loans and receivable	2,989	1,666
Values applied in projects	Loans and receivable	3,730	1,912
Accounts receivable from customers	Loans and receivable	3	219
		<u>8,258</u>	<u>4,190</u>
Other financial liabilities			
Suppliers and other payable accounts	Other financial liabilities	107	135
Agreements to be executed	Other financial liabilities	7,332	3,564
Loans	Other financial liabilities	135	335
		<u>7,574</u>	<u>4,035</u>

## 4. Cash and cash equivalents

	2021	2020
Banks - free resources	-	85
Bank - restricted resources	21	1
Financial investments - free resources	1,535	308
Financial investments - restricted resources	2,966	1,655
	<u>4,525</u>	<u>2,059</u>

#### a) Free cash and cash equivalents

	2021	2020
	Short Pay Bank Deposit	Total
Free	1,533	332
Programa Olhos D'Água	3	11
Free cash and cash equivalents	<u>1,536</u>	<u>393</u>

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

#### b) Financial investments - restricted resources

			2021	2020
	Bank Deposit Current Account	Short Pay Bank Deposit	Total	Total
				<b>Restricted</b>
Energest S.A	16	14	30	57
Procuradoria da República do Estado do Espírito Santo - Barraginhas	-	6	6	52
Public Defender - ES	-	-	-	7
Fundação Renova - Olhos D'água	-	250	250	513
UNEP United Nations Environment Programme	-	25	25	26
Fundação Lemarchand	-	238	238	165
Zurich Insurance Company Ltd	-	7	7	846
Fundação Renova III	5	2,320	2,325	-
WWF Germany/Wacken Open Air	-	108	108	-
<b>Restricted cash and cash equivalents</b>	<b>21</b>	<b>2,968</b>	<b>2,989</b>	<b>1,666</b>

The balance of restricted financial investments refers to funds to be applied strictly within the scope of the respective agreements. The values are invested in banks recognized in the market and have immediate liquidity to be used in the related projects.

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

#### 5. Agreements to be executed

These refer to values received from institutional agreements for application in specific projects and expenses (restricted projects). These amounts will be recognized against the result of the fiscal years as the foreseen expenses are effectively made or when the rendering of accounts is approved by the respective donors in the required cases.

##### a) Transact of agreement resources

	Total Agreement	Balance in 2020	Resources Released and Income	Resources Used	Balance in 2021
State Forestry Institute - IEF MG (2011)	1,096	832	-	-	832
Public Ministry of the State of Espirito Santo - Colatina Olhos D'Água	4	9	-	-	9
Todos Pelo Rio Doce Movement	-	14	-	14	-
Public Ministry of the State of Espirito Santo - Barraginhas	-	64	1	13	52
Public Defender's Office-ES	-	26	-	19	7
Energest S.A	-	57	51	-	108
UNEP United Nations Environment Programme	-	25	-	-	25
Fundação Lemarchand	125	165	127	54	238
Zurich Insurance Company Ltd	14,025	1,490	1,462	644	2,308
Fundação Renova III	8,398	-	2,953	325	2,628
WWF Germany/Wacken Open Air	610	--	289	76	213
	<b>24,258</b>	<b>2,682</b>	<b>4,883</b>	<b>1,145</b>	<b>6,420</b>
Fundação Renova Olhos D'Água	4,488	882	1,574	1,544	912
	<b>28,746</b>	<b>3,564</b>	<b>6,457</b>	<b>2,689</b>	<b>7,332</b>

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

#### b) Reconciliation of the agreement balances

	Values applied in projects 2020	Expenses incurred	Approved values	Values applied in projects 2021
State Forestry Institute I - IEF/SEWU) (2011)	832	-	-	832
Public Ministry of the Espírito Santo State - Colatina	9	-	-	9
Todos Pelo Rio Doce Movement	14	-	14	-
Public Defender's Office - ES	18	7	18	7
Enerqest S/AIV	-	74	-	74
Fundação Renova - Olhos D'Água 2018	338	1,524	1,353	507
Public Ministry of the State of Espírito Santo - Barraginhas	13	46	13	46
Fundação Lemarchang	-	19	-	19
Zurich Insurance Company Ltd	890	1,747	838	1,799
Fundação Renova III	-	579	229	351
WWF Germany/Wacken Open Air	-	152	66	86
	<b>1,912</b>	<b>4,149</b>	<b>2,331</b>	<b>3,730</b>
Inventory projects	-	340	-	340
Fixed assets of projects in progress	35	238	35	238
Restricted values - assets	35	578	35	578

(i) Values pending approval of the rendering of accounts are recognized in the account "Values invested in projects" (current assets).

(ii) The current assets restricted values accounts do not contemplate the payments that will occur in the following months but are accrued on an accrual basis in the current liabilities accounts.

# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

### 6. Receivable values

	<u>2021</u>	<u>2020</u>
Trade accounts receivable	3	5
Receivable values - donors	-	214
	<u>3</u>	<u>219</u>

The allowance for estimated losses on doubtful credit accounts (PECLD) is constituted according to the Entity's corporate policies and is based on historical losses.

In the year ending December 31st, 2021, management, after historical analyses, did not identify provisions for doubtful credit receivables.

The provision, when established, has always been considered sufficient by management for the credits whose recovery is considered remote or possible.

Values receivable from donors correspond to donations signed in contracts.

### 7. Advance Payments

	<u>2021</u>	<u>2020</u>
Vacation Advances	17	10
Advances to suppliers	1	200
Resources from project partnerships	-	73
	<u>18</u>	<u>283</u>

Vacation advances occur when employees go on vacation and receive the payment at the beginning of the vacation, while the respective enjoyment occurs in immediately subsequent periods.

### 8. Inventories

	<u>2021</u>	<u>2020</u>
Goods for resale	95	84
Seedlings for sale	190	83
Inputs and implements for the environment	351	-
Stock of donations to be distributed	361	377
	<u>997</u>	<u>524</u>

# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2021

(In thousands of reais, except when otherwise indicated)

Donation inventory to be distributed refer to materials for fencing sources donated by ArcelorMittal Brasil S.A., whose commitment was signed through a Cooperation Agreement in March 2015, under the aegis of the Programa Olhos D'água. The Institute maintains control of these materials, including periodic inventories.

In this fiscal year, the Institute started inventory control under the heading "Inputs and implements for the environment" especially to contemplate the slow-release fertilizers recently used in the planting of seedlings. It was acquired by technical recommendation of specialists at the end of the fiscal year 2021.

### 9. Judicial deposits

The judicial deposits are presented as follows

	<u>2021</u>	<u>2020</u>
Security judicial deposits	138	133
	<u>138</u>	<u>133</u>

Refers to a security deposit made under lawsuit No. 0003402-14.2012.4.01.3813, in an ordinary lawsuit filed by Instituto Terra against the Federal Government, in order to suspend the collection of funds that were transferred to it by the National Fund for the Environment (FNMA). The value is updated monthly by monetary correction calculated based on the Selic rate.



**INSTITUTO TERRA**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

**As of December 31, 2021**

**(In thousands of reais, except when otherwise indicated)**

**10. Fixed Assets**

	<b>Balances 12/31/2020</b>	<b>Addition</b>	<b>Write-off</b>	<b>Depreciation</b>	<b>Balances 12/31/2021</b>
Real Estate	2,623	-	-	-	2,623
Buildings	<b>1,327</b>	-	-	(135)	1,192
Improvements in business facilities	93	-	-	(12)	81
Machines and equipment	218	172	(40)	(23)	327
Furniture and utensils	9	214	(81)	59	201
Real estate under construction	7	8	(15)	-	-
Vehicles	-	37	-	(5)	32
	<b>4,277</b>	<b>431</b>	<b>(136)</b>	<b>(116)</b>	<b>4,456</b>

  

	<b>Balances 12/31/2019</b>	<b>Addition</b>	<b>Write-off</b>	<b>Depreciation</b>	<b>Balances 12/31/2020</b>
Real Estate	2,623	-	-	-	2,623
Buildings	1,462	-	-	(135)	1,327
Improvements in business facilities	105	-	-	(12)	93
Machines and equipment	163	110	(53)	(2)	218
Furniture and utensils	10	1	(8)	6	9
Real estate under construction	2	5	-	-	7
	<b>4,365</b>	<b>226</b>	<b>(61)</b>	<b>(143)</b>	<b>4,277</b>

The Institute uses the straight-line method for depreciation, and such charges, totaling R\$237 (2020 - R\$204) were allocated to environmental and education costs, as well as administrative expenses.

In this fiscal year, implements used in the production of seedlings were included in the fixed assets, as they can be reused for periods longer than 12 months. These implements are composed of trays and tubes used in the management of the seedling production.

**INSTITUTO TERRA**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

**As of December 31, 2021**

**(In thousands of reais, except when otherwise indicated)**

**11. Intangible Assets**

	<b>Balances 12/31/2020</b>	<b>Addition</b>	<b>Write-off</b>	<b>Amortization</b>	<b>Balances 12/31/2021</b>
Software	19	4	-	(7)	16
	19	-	-	(7)	16
	<b>Balances 12/31/2019</b>	<b>Addition</b>	<b>Write-off</b>	<b>Amortization</b>	<b>Balances 12/31/2020</b>
Software	26	-	-	(7)	19
	26	-	-	(7)	19

# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 (In thousands of reais, except when otherwise indicated)

### 12. Labor obligations

	<u>2021</u>	<u>2020</u>
Sodas charges	93	77
Labor obligations	142	131
Labor provisions	265	274
	<u>501</u>	<u>482</u>

Social charges are the charges generated on the payroll, guaranteed by law, and paid to the worker by the Institution.

Labor obligations comprise the obligations concerning wages as well as benefits to which the employee is entitled.

Labor provisions are estimated expenses calculated monthly, based on the full or proportional period to which the employee is entitled, plus the respective charges.

### 13. Suppliers and other payable accounts

	<u>2021</u>	<u>2020</u>
Suppliers	106	60
Other accounts payable	1	74
	<u>107</u>	<u>134</u>

Accounts payable to suppliers. are obligations payable for goods and/or services that were acquired in the normal course of business. Other accounts payable are discounts from employees' payrolls by court order and/or negotiation with a financial institution. Included also other accounts payable, service values of management of the Renova Olhos D'água Agreement, which can only be recognized in income after approval of the rendering of accounts, according to the contract in force.

### 14. Loans and financing

#### Loan composition

<u>Entity</u>	<u>Interest rates</u>	<u>2021</u>	<u>2020</u>
Krenak Emp. Artísticos Ltda.	Selic	135	335
		<u>135</u>	<u>335</u>

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(In thousands of reais, except when otherwise indicated)

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Refers to loans without fixed taxes, taken along Krenak Empreendimentos Artísticos Ltda. (donor of funds to the Institute), and which have undetermined earnings dates.

The values are monetarily corrected based on the government index and do not affect the result, being recognized in income and expenses.

The resources were used to fund the Institute's social purpose in projects of a permanent nature. Loans were and eventually are taken mainly when there are delays in the release of committed funds by project sponsors.

In the previous fiscal year, the Institute took out a new loan with Krenak Empreendimentos Artísticos Ltda, following the same rules as the previous one. The loan was acquitted in this fiscal year.

#### 15. Equity

Equity comprises Donations and Subventions subtracted from the Deficit of the Fiscal Year.

	<u>2021</u>	<u>2020</u>
Donations and grants	4,924	4,924
Accumulated surplus (deficit)	864	(26)
	<u>5,788</u>	<u>4,898</u>

**INSTITUTO TERRA**

**EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS**

**AS OF DECEMBER 31, 2021**

(In thousands of reais, except when otherwise indicated)

**16. Income and Expenses**

	<u>2021</u>	<u>2020</u>
<b>With restraint</b>		
<b>Environmental activities</b>		
Education and culture	-	120
Ecosystem Restoration	644	27
Environmental Extension	433	134
Nursery	-	25
Programa Olhos D'água	1,485	1,499
Revenue from Services for the Programa Olhos D'água	-	249
	<u>2,562</u>	<u>2,054</u>
<b>No restraints</b>		
Revenues from Services and Products Sold	181	317
Voluntary contributions and donations	3.818	1.538
Free of charge	1.598	1.314
Other resources received	-	2
	<u>5,597</u>	<u>3,171</u>
<b>OPERATING REVENUE</b>	<u>8,159</u>	<u>5,225</u>
<b>Costs and Expenses</b>		
<b>Activities and projects</b>		
Education and culture	(500)	(666)
Ecosystem Restoration	(1,456)	(801)
Nursery	(467)	(366)
Programa Olhos D'água	(1,974)	(2,204)
Environmental Extension	(420)	(132)
Cost of Services and Products Sold	(1,310)	(835)
	<u>(6,127)</u>	<u>(5,004)</u>
<b>Operating expenses</b>		
Administrative	(1,136)	(908)
Depredation and Amortization	(29)	(31)
	<u>(1,165)</u>	<u>(939)</u>
<b>OPERATING COSTS AND EXPENSES</b>	<u>867</u>	<u>(718)</u>

**The value of R\$1,598 (R\$1,314 - 2020) with Gratuities, is composed of the partners:**

- . Ampfy - advertising agency;
- . Google Grants - online advertising;
- . José Augusto dos Santos Servino - human resources consulting;
- . MAMG Advogados - legal counsel;
- . Martinelli Advogados - legal counsel;
- . Microsoft - software licensing;
- . Municipal Office of Aimorés/MG - materials, manpower, and equipment loan;

## INSTITUTO TERRA

### EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021

(In thousands of reais, except when otherwise indicated)

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- . Souza Leão Subtil Advogados Associados - legal counsel;
- . Uber Sistemas - IT services;
- . Wide Software Desenvolvimento de Soluções Ltda - software licensing.

In addition, all services provided by members of the Board of Directors, Finance Committee, and Advisory Board are also considered free of charge.

#### 17. Tax Aspects

According to Article 13 of Provisional Decree (MP) No. 2158-35 of 2001, non-profit entities that have employees, as defined by Employment Law, will contribute to the PIS with a fixed quota of 1% levied on the monthly payroll. Such entities are exempt from PIS on revenues under Paragraph 1, Article 14 of MP No. 2158-35/01, as long as they meet the requirements of Article 15 of Law No. 9532/97.

As far as COFINS is concerned, section X in Article 14 of MP No. 2158-35 of 2001 determines the non-occurrence on the revenues of non-profit institutions. Further in this case, the enjoyment of the exemption depends on the fulfillment of the requirements foreseen in Article 12 of Law No. 9532/97.

Additionally, per section III and § 1 of Article 14 of Provisional Decree (MP) No. 2158-35 of 2001, revenues from services provided to individuals or legal entities resident or domiciled abroad, whose payment represents an inflow of foreign currency, are exempt from PIS and COFINS.

Instituto Terra, a non-profit entity, is exempt from income tax and social contributions under Article 195, Paragraph 7, of the Federal Constitution.

**The Board of Directors of the Instituto Terra is composed of the following members:**

José Armando de Figueiredo Campos

President

# INSTITUTO TERRA

## EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2021

(In thousands of reais, except when otherwise indicated)

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Juliano Ribeiro Salgado	Vice President
Tomaz Benedito de Souza	General Secretary

Carlos Frederico Siqueira	Principal
Guilherme Rehder Quintela	Principal
Henrique Lobo Gonçalves	Principal
Izabella Mônica Vieira Teixeira	Principal
Lélia Deluiz Wanick Salgado	Principal
Miguel Antônio de Goes Calmon	Principal
Paulo Henrique Wanick Mattos	Principal
Sebastiao Ribeiro Salgado Júnior	Principal

### **The Instituto Terra's audit comitee is composed of the following members:**

Valcemiro Nossa	President
Celso Luiz Marques	Advisor
Flavia de Oliveira Rapozo	Advisor

Principal Director  
Isabella Salton Marques de Souza

Responsible Technician  
Edna Maria Amorim de Assis  
Counter  
CRC MG 095127/0-6