



Russell Bedford

*taking you further*

Annual Report – individual

Terra Institute

December 31, 2022



# Content

Report of the independent auditors

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## Independent Auditor's Report on the Financial Statements

To  
The Administrators of  
**Terra Institute**  
Aimorés/MG

### Opinion

We have audited the financial statements of the Terra Institute, which comprise the balance sheet as at December 31, 2022, and the respective statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, as well as the corresponding explanatory notes, including a summary of significant accounting policies.

In our opinion, the above-mentioned financial statements present fairly, in all material respects, the financial position of the Terra Institute as at December 31, 2022, the results of its operations and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

### Basis for opinion

Our audit was conducted in accordance with Brazilian audit standards. 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 from the Company in accordance with the relevant ethical principles contained in the Professional Ethics Code of Accountants, and the professional standards issued by the Federal Accounting Council (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

#### Audit of the previous year

The financial statements of the **Terra Institute** for the fiscal year ended December 31, 2021 were audited by another independent auditor who issued an unmodified opinion on those financial statements on May 31, 2022.

### Responsibility of management and governance for the financial statements

The management is responsible for the preparation of these financial statements in accordance with accounting practices adopted in Brazil, 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's responsibility in the auditing 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 auditing standards 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 auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:


- We 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.
- We 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 Company's internal control.
- We evaluate the appropriateness of accounting policies employed and the reasonableness of accounting estimates and related disclosures made by management.
- We 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 to operate 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 report. However, future events or conditions may cause the Entity to cease its operations.

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.

Vitória, Espírito Santo, June 19, 2023



**Russell Bedford GM ES – Auditoria e Consultoria Ltda.**  
CRC 2ES 5.515 O



**Breno Mamari Pessoa**  
Contador CRC 1ES: 015.212 O-9

TABLE 1

## TERRA INSTITUTE

## Balance sheet

For the years ended December 31, 2022 and 2021

(In thousands of reais)

Asset	Note	2022	2021	Liabilities	Note	2022	2021
<b>Current</b>				<b>Current</b>			
Unrestricted cash and cash equivalents	4	1.457	1.536	Social and labor obligations	12	609	501
Linked cash and cash equivalents	4	2.187	2.989	Tax obligations		025	020
Amounts applied in projects	5(b)	4.262	3.730	Agreements to be executed	5(a)	6.923	7.332
Accounts receivable from customers	6	024	003	Suppliers and other payables	13	114	107
Advances	7	445	018	Loans	14	135	135
Inventory	8	965	996			7.806	8.095
		9.340	9.273				
<b>Non-current</b>				<b>Social capital</b>	15		
Deposits in judicial caution	9	155	138	Donations and grants		4.924	4.924
Fixed assets	10	4.381	4.456	Accumulated surplus		1.155	864
Intangible assets	11	009	016			6.079	5.788
		4.545	4.610				
<b>Asset total</b>		<b>13.885</b>	<b>13.883</b>	<b>Total of liabilities and social capital</b>		<b>13.885</b>	<b>13.883</b>

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

TABLE 2

**TERRA INSTITUTE**  
**Income statement**  
**For the years ended December 31, 2022 and 2021**  
**(In thousands of reais)**

	<u>Note</u>	<u>2022</u>	<u>2021</u>
<b>OPERATING REVENUES</b>	17	<b>10.880</b>	<b>8.159</b>
<b>Restricted</b>		<b>4.081</b>	<b>2.562</b>
Education and culture		021	-
Environmental activities		4.060	2.562
<b>Unrestricted</b>		<b>6.799</b>	<b>5.597</b>
Revenue from services and products sold		995	181
Contributions and voluntary donations		3.842	3.818
Gratuities		1.960	1.598
Other resources received		002	-
<b>OPERATING COSTS AND EXPENSES</b>		<b>(9.208)</b>	<b>(6.127)</b>
<b>Sale of products</b>		<b>(9.208)</b>	<b>(6.127)</b>
Education and culture		(1.005)	(500)
Environmental activities		(6.561)	(4.317)
Costs of services and products sold		(1.641)	(1.310)
<b>GROSS PROFIT</b>		1.672	2.032
<b>OPERATING EXPENSES</b>	17		
<b>Administrative</b>		<b>(1.437)</b>	<b>(1.136)</b>
Salaries		(648)	(419)
Social charges		(263)	(144)
Benefits to employees		(103)	(73)
General expenses		(177)	(101)
Maintenance and conservation		(14)	(11)
Third-party services		(232)	(388)
Depreciation and amortization		(34)	(29)
<b>FINALCIAL RESULT</b>		<b>200</b>	<b>867</b>
<b>FINANCIAL INCOME</b>			
Income from financial applications		191	071
<b>FINANCIAL EXPENSES</b>			
Bank fees		(23)	(11)
Interest and fines		(42)	(16)
Income tax on financial application		(5)	(4)
IOF on financial operation		(25)	(17)
		(95)	(48)
<b>SURPLUS OF THE YEAR</b>		<b>295</b>	<b>890</b>

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

**TABLE 3**  
**TERRA INSTITUTE**

**Statement of Comprehensive Income**  
**For the years ended December 31, 2022 and 2021**  
**(In thousands of reais)**

**[1]**

	<u>2022</u>	<u>2021</u>
Surplus/deficit of the year	<u>295</u>	<u>890</u>
Comprehensive result	<u>295</u>	<u>890</u>

The administrative explanatory notes are an integral part of the financial statement



TABLE 4

## TERRA INSTITUTE

Statement of changes in equity  
 For the years ended December 31, 2022 and 2021  
 (In thousands of reais)

[1]

		<u>Social capital</u>	<u>Accumulated surplus</u>	<u>Total</u>
<b>As of January 1, 2021</b>		<u>4.924</u>	<u>(26)</u>	<u>5.625</u>
Deficit for the year			890	890
<b>As of December 31, 2021</b>	<u>Note</u>	<u>4.924</u>	<u>864</u>	<u>5.788</u>
Adjustment of the previous year	15		5	5
Surplus for the year			295	295
<b>As of December 31, 2022</b>		<u>4.924</u>	<u>1.155</u>	<u>6.079</u>

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

TABLE 5

## TERRA INSTITUTE

## Statement of cash flows

For the years ended December 31, 2022 and 2021

(In thousands of reais)

[1]

	NOTE	2022	2021
<b>Cash flow from operating activities</b>			
Surplus for the year		295	890
Adjustment	15	5	-
Depreciation		264	237
Amortization		7	7
Gain with monetary correction		(18)	(6)
<b>Changes in assets and liabilities</b>			
Advances		(427)	265
Amounts applied in projects		(532)	(1.818)
Accounts receivable from customers		(21)	216
Inventories		31	(472)
Social and labor obligations		108	19
Tax obligations		5	7
Agreements to be executed		(409)	3.768
Loans		-	(200)
Other liabilities		7	(27)
<b>Net cash generated by operating activities</b>		<u>(685)</u>	<u>2.885</u>
<b>Cash flow from investment activities</b>			
Acquisitions of intangible assets		-	(3)
Acquisitions of fixed assets		(195)	(416)
<b>Net cash used in investment activities</b>		<u>(195)</u>	<u>(419)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(880)</u>	<u>2.466</u>
Cash and cash equivalents at the beginning of the year		4.525	2.059
Cash and cash equivalents at the end of the year		3.645	4.525
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(880)</u>	<u>2.466</u>

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

## TERRA INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)

#### 1. OPERATIONAL CONTEXT

The Terra Institute is a non-profit civil association founded in 1998. It is based at Bulcão Farm, located in the municipality of Aimorés, in the state of Minas Gerais. The farm was granted to the Institute indefinitely, through a Contractual Instrument in July 4, 2000, by its owners, Mr. Sebastião Ribeiro Salgado Junior and Mrs. Lélia Deluiz Wanick Salgado, the ideators and lifetime founding members of the Institute.

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

Bulcão Farm, with a total area of 709.8 hectares, of which 608.6 hectares recognized as RPPN by IEF/MG Ordinance No. 081, enacted on October 7, 1998, is the first RPPN created in a degraded Atlantic Forest area in Brazil. It is managed by Terra Institute, with the intent to stimulate sustainable development through the recovery and conservation of forests and the correct use of natural resources. In this sense, the Institute has been working in five different areas: ecosystem restoration, environmental education, production of native seedlings, environmental extension/Olhos D'água Program, and applied research.

On December 17, 1999, Terra Institute was declared a public utility by the Municipal Government of Aimorés, through Law No. 1.613/1999, becoming exempt from municipal taxes, as long as it fulfills its statutory objective.

The Institute has also obtained the title of Advanced Post of the Atlantic Forest Biosphere Reserve - RBMA (2009) - this being the first RBMA in Minas Gerais - proving that it carries out, on a regular and measurable basis, significant actions in the three basic functions of Biosphere Reserves: conservation, knowledge, and sustainable development, according to the MaB Program - UNESCO.

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

In 2011, commercial activities began aimed at the economic and financial sustainability of the institution, such as the sale of Atlantic forest seedlings and souvenirs.

Although the Terra Institute has had spring recovery initiatives in the Rio Doce watershed since 2010, in 2015 it launched the "Olhos D'água Program", which aims to contribute to the recovery of springs located in the 228 municipalities that make up the Vale do Rio Doce, in the states of Minas Gerais and Espírito Santo.

The aim of this ambitious program is to recover about 345 thousand springs, through the planting of more than 50 million native trees, in areas that should be protected through protective fences.

In addition to service provision revenues and project execution on demand, the Institute also receives national and international donations from individuals and corporations, including foundations and other entities, all united for the cause of forest restoration and

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mitigation of the effects of climate change, applied by the Institute in the recovery of the Rio Doce valley.

There are two subsequent facts at the end of the fiscal year that substantially alter the operational context in which Terra Institute operates.

The first was the acquisition of a neighboring property, called Cantinho do Céu Farm, with over 344 hectares of land, that is about 50% of the current area of the Institute, to which, from now on, the task of forest restoration will be extended.

The second was the signing of a financial contribution contract between KfW and Terra Institute, in the amount of up to 13.1 million Euros for the Forest Restoration and Protection of Springs in 28 municipalities in MG and ES, in the middle portion of the Rio Doce Basin, a project that should give a new scale to "Olhos D'Água" and which should mobilize more than 2,000 families of small rural landowners for the restoration of 4,200 springs by the year 2027.

## 2. Preparation basis

### a. Statement of compliance

The financial statements were prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncement Committee for Small and Medium Enterprises (CPC PME), applicable to small and medium enterprises, combined with NBC ITG 2002 (R1), which deals with non-profit entities.

The issuance of the financial statements was authorized by the administration on May 11, 2022.

### b. Measurement basis

The financial statements were prepared based on historical cost, except for non-derivative financial instruments measured at fair value through the applicable result.

### c. Functional and presentation currency

These financial statements are presented in Reais, which is the Institute's functional currency.

Transactions in foreign currency are converted into the functional currency based on the exchange rates in effect on the base dates of the transactions.

### d. Use of estimates and reviews

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The preparation of financial statements in accordance with the accounting practices adopted in Brazil requires the entity's management to employ reviews in determining and recording accounting estimates.

Estimates and assumptions are reviewed on a permanent basis. Estimate revisions are recognized prospectively.

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

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

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

### **3. Summary of adopted accounting practices**

The financial statements were prepared and are being presented in accordance with the accounting practices adopted in Brazil.

#### **3.1. Unlinked contributions and donations**

Cash and free goods and services contributions or donations are those where the donor does not stipulate a purpose or specific conditions to be met by the Institute. Such donations are classified directly in the income statement for the fiscal year.

#### **3.2. Linked donations**

Linked donations are those where the donor stipulates a purpose or specific obligations and conditions to be met by the Institute. Donations and their applications are recorded in income at the time the resource donor formally confirms that the obligations have been met by the Institute.

#### **3.3. Patrimonial contributions and donations**

Patrimonial contributions and donations are those received exclusively for the acquisition and/or construction of fixed assets, and are recorded in the social equity under "Funds from Donations and Grants".

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### NOTES TO THE FINANCIAL STATEMENTS

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

Revenues and expenses are recognized under the accrual basis. Unlinked revenue from donations for the Institution's operating costs is recognized in income when received, with the purpose of covering the various activities developed, as they do not have a specific sponsor.

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

Accounts receivable arise from the sales of products or services, made through credit card, bank slip, and bank deposit and are recorded at their nominal value.

The provision for doubtful accounts is made when there is objective evidence that the Institute will not receive all the amounts anticipated in accordance with the original conditions of the accounts receivable.

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

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

#### **3.7. Funds applied to projects**

These are agreement amounts linked to projects that have not yet been submitted for approval and/or are waiting for approval of their accounting reports by the donor.

#### **3.8. Inventory**

The inventory is presented by the cost amounts of goods purchased for resale, post-planting inputs, produced seedlings or goods received as donations for use in the Olhos D'Água Program.

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

The types of products in inventory are: souvenirs, foodstuffs, ready and in-process seedlings, inputs used in seedling production, inputs used in the growth of planted seedlings, and inputs for spring fencing on rural properties.

#### **3.9. Agreements to be executed**

The balance in agreements to be executed corresponds to the amounts released by donors, not yet applied to their respective projects until the balance sheet date

## TERRA INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS

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and/or if they have been applied to the respective projects, that have not yet been submitted for approval or are awaiting approval by the donor.

#### 3.10. Fixed assets

The items in fixed assets are shown at the cost of acquisition, formation or construction less the amount of depreciation. Depreciation is calculated by the linear method at the rates mentioned, as shown below, and takes into account the estimated useful life of the assets. Depreciation charges were allocated to costs relating to education, environment, sustainability initiatives, as well as administrative expenses in relation to the properties used for this purpose. Historical cost includes the expenses directly attributable necessary to prepare the asset for its intended use by the management, excluding financing costs.

The Institute includes in the carrying amount of an item of property, plant, and equipment, the cost of replacement parts, only when it is probable that this cost will provide future economic benefits, and the carrying amount of the replaced parts is written off. All other repairs and maintenance are accounted for as expenses of the year, when such expenses occur.

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

The residual amounts, useful life, and depreciation methods of the assets are reviewed and adjusted annually, considering the estimated useful life of their respective components:

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

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**3.11. Intangible assets**

The registered trademarks, licenses (including software licenses) and acquired contractual relationships are shown at historical cost, less amortization. Amortization is calculated by the linear method, according to the rates mentioned below:

<u>Components</u>	<u>Annual depreciation rate</u>
Trademarks and patents	5
Software	5

**3.12. Intangible Assets**

Suppliers and other accounts payable are recognized at fair value and are short-term payables.

**3.13. Suppliers**

Loans are initially recognized by the transaction value (that is, the value received from the bank, including transaction costs) and subsequently shown by the amortized cost.

**3.14. Social capital**

It represents the initial social capital of the Institute, the "Donations and Grants" of its constitution, and the result of the surplus (deficit) of the fiscal years. Surpluses generated are fully employed in their social objectives, and the deficits are absorbed by the social capital.

**3.15. Revenue recognition**

**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, guided visitation services, and rents its facilities for events or accommodations, all as a source of sustainability.

The receipt of sales is usually made in cash, credit card, ticket, or bank deposit. The income from these revenues is fully reverted to the general objective of the Institute.

**b) Service provisioning**

The Institute provides ecosystem restoration services, protection and recovery of springs through its various programs. contracted service. These services are usually included in contracts.



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

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

Current and non-current assets are presented at cost or realization value, including, when applicable, monetary variations and corresponding revenues earned. Current and non-current liabilities are shown by known or calculable amounts, 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 the present realization value.

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

Accounting practices for the recording and disclosure of contingent assets and liabilities and legal obligations are as follows: (i) Contingent assets are recognized only when there are real guarantees or favorable judicial decisions, judged conclusively. Contingent assets with likely successes are only disclosed in an explanatory note; (ii) Contingent liabilities are provisioned when losses are assessed as probable, and the amounts involved can be measured with sufficient certainty. Contingent liabilities assessed as possible losses are only disclosed in an explanatory note, and contingent liabilities evaluated as remote losses are neither provisioned nor disclosed; and (iii) Legal obligations are recorded as payable regardless of the assessment of the probabilities of success, in processes where the Entity questioned the unconstitutionality of taxes.

#### **3.18. Grants**

The Institute recognizes in its financial statements the gratuities that are at its disposal in the form of service / professional activity 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 tax regime**

As it is a non-profit institution, the Institute's assets, income, and services provided are immune to Income Tax and Income of Any Nature, the Social Contribution on Net Profit and COFINS - Contribution for the Financing of Social Security), according to constitutional provisions and Law No. 9,532/1997. In turn, PIS (Social Integration Program) is calculated at a rate of 1% on the salary payroll. It is also exempt from the collection of municipal taxes (ISS - Tax on Services).

#### **3.20. Financial instruments and derivatives**

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

TERRA INSTITUTE

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(In thousands of reais, unless otherwise indicated)

3.20.1. Considerations about main risks

(i)[1]Credit risk

Indicators confirm that the Institute has the capacity to meet its current obligations, through available and partially through the receipt of short-term receivables (from previously signed agreements and recurring donations), having a financial balance without forecast of liquidity problems.

Financial instruments

**Explanatory note:**

Financial instruments	Category	2022	2021
Loans and receivables			
Unrestricted cash and cash equivalents	Loans and receivables	1.457	1.536
Restricted cash and cash equivalents	Loans and receivables	2.187	2.989
Amounts applied in projects	Loans and receivables	4.262	3.730
Accounts receivable from customers	Loans and receivables	24	3
		<u>7.930</u>	<u>8.258</u>
Other financial liabilities			
Suppliers and other payables	Other financial liabilities	114	107
Agreements to be executed	Other financial liabilities	6.923	7.332
Loans	Other financial liabilities	135	135
		<u>7.172</u>	<u>7.574</u>

4. Cash and cash equivalents

	2022	2021
Banks with Free Resource Movement	109	-
Banks - restricted resources	114	21
Unrestricted cash and cash equivalents	1.348	1.536
Restricted cash and cash equivalents	2.074	2.968
	<u>3.644</u>	<u>4.525</u>

a) Unrestricted cash and cash equivalents

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(In thousands of reais, unless otherwise indicated)

	2022	2021
	Total	Total
Free cash	1.456	1.533
Olhos D'Água Program	1	3
<b>Unrestricted cash and cash equiva</b>	<b>1.457</b>	<b>1.536</b>

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(In thousands of reais, unless otherwise indicated)

a) Financial Investments – restricted funds

			2022	2021
	Checking account bank deposit	Short-term bank deposit	Total	Total
<b>Linked</b>				
Energest S.A	-	18	18	30
Attorney General's Office of the State of Espírito Santo - Barraginhas	-	-	-	6
Renova Foundation - Olhos D'Água	-	-	-	250
Pnuma United Nations Environment Programme	-	6	6	25
Lemarchand Foundation	-	-	-	238
Zurich Insurance Company Ltd	114	-	114	7
Renova Foundation III	-	1.150	1.150	2
WWF Germany/Wacken Open Air	-	132	132	-
Renova Foundation Nere	-	270	270	-
XP Investments	-	498	498	-
<b>Cash and cash equivalents linked</b>	<b>114</b>	<b>2.074</b>	<b>2.188</b>	<b>2.989</b>

The balance of linked financial applications refers to resources to be strictly applied in the scope of the respective agreements. The amounts are applied in recognized banks in the market and have immediate liquidity to be used in the attached projects.

## TERRA INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS

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(In thousands of reais, unless otherwise indicated)

#### 5. Agreements to be executed

They refer to amounts received from institutional agreements destined for application in specific projects and expenses (linked projects). These amounts will be recognized against the results of the exercises, as the foreseen expenses are effectively realized, or when the accounts are approved by the respective donors, in required cases.

##### a) Financial operations of agreement funds

	<u>Total of Agreement</u>	<u>Balance in 2021</u>	<u>Resources Released and Resources</u>	<u>Resources Used</u>	<u>Balance in 2022</u>
State Forestry Institute – IEF MG (2011)	1.096	832	-	-	832
Public Prosecutor's Office of the State of Espírito Santo – Colatina	4	9	-	-	9
Public Ministry of the State of Espírito Santo - Barraginhas	-	53	-	52.724,	-
Public Defenders' Office, State of Espírito Santo	-	7	-	-	7
Energest S.A	105	108	20	-	128
Pnuma United Nations Environment Programme	165	025	2	-	27
Lemarchand Foundation	453	237	37	024	250
Zurich Insurance Company Ltd I	14.025	2.309	2.257	2.187	2.379
Renova Foundation III	8.398	2.628	216	1.164	1.679
WWF Germany/Wacken Open Air	106	212	233	-	446
Air France Corporate Foundation	31	-	159	-	159
Zurich Insurance Company II	55.200	-	509	-	509
XP Investimentos Corretora de Câmbio, Títulos e Valores Mobiliários S.A	1.750	-	498	-	498
	<u>81.329</u>	<u>6.420</u>	<u>3.931</u>	<u>3.428</u>	<u>6.923</u>
Renova Olhos D'Água Foundation	4.488	912	4	917	-
	<u>85.817</u>	<u>7.332</u>	<u>3.935</u>	<u>4.345</u>	<u>6.923</u>

##### b) Reconciliation of agreement balances

TERRA INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)

	Amounts applied to projects (2021)	Incurred expenses	Approved amounts	Amounts applied to projects (2022)
State Forest Institute I - IEF/SEMAD (2011)	832	-	-	832
Public Prosecutor's Office of the State of Espírito Santo – Colatina	9	-	-	9
Public Defender-ES	7	-	-	7
Energest S/A IV	74	32	-	106
Renova Foundation - Olhos D'Água 2018	507	0	507	-
Public Prosecutor's Office of the State of Espírito Santo - Barraginha	46	0	46	-
Lemarchand Foundation	19	228	19	228
Zurich Insurance Company Ltd	1.799	1.972	1.628	2.144
Renova Foundation III	351	521	351	520
WWF Germany	86	155	-	241
Pnuma United Nations Environment Programme	0	21	-	21
Air France Corporate Foundation	0	143	-	143
Zurich Insurance Company	0	11	-	11
	<b>3.730</b>	<b>3.083</b>	<b>2.552</b>	<b>4.262</b>
Projects stock	340	188	224	304
Ongoing project assets	238	557	468	327
Linked amounts - assets	<b>578</b>	<b>745</b>	<b>692</b>	<b>631</b>

(i) Amounts pending approval of the account rendering are recognized in the accounting category "Values applied in projects" (current assets).

(ii) The accounts of the linked values of current assets do not contemplate the payments that will occur in the subsequent months but are provisioned by the accrual basis criterion in the accounts of current liabilities.

## TERRA INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)[1]

#### 6. Receivables

	<u>2022</u>	<u>2021</u>
Accounts receivable	24	3
	<u>24</u>	<u>3</u>

The provision for estimated losses in doubtful credits (PECLD) is constituted according to the Entity's corporate policies and is based on loss histories.

At the end of the fiscal year on December 31, 2022, the management, after historical analyses, did not identify provisions of doubtful liquidation expectation credits.

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

Amounts receivable from donors correspond to donations established in contracts.

#### 7. Advances

	<u>2022</u>	<u>2021</u>
Vocation advances	7	17
Advances to suppliers	438	1
	<u>445</u>	<u>18</u>

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

In 2022, the amount of R\$ 385.000,00 was paid as an advance to suppliers for the payment to the sellers of Cantinho do Céu Farm.

# TERRA INSTITUTE

## NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)[1]

### 8. Inventories

Inventories of donations to distribute, refer to materials for spring fencing donated by ArcelorMittal Brasil S.A, whose commitment was made through a Cooperation Agreement in March 2015, under the aegis of the Olhos D'água Program. The Institute maintains control of these materials' stock, including periodic inventories.

	<u>2022</u>	<u>2021</u>
Goods for resale	111	95
Seedlings for sale	178	190
Inputs and implements for the environment	315	351
Stock of donations to distribute	361	361
	<u>965</u>	<u>997</u>

### 9. Judicial deposits

Judicial deposits are presented as follows:

	<u>2022</u>	<u>2021</u>
Judicial deposits in guarantee	<u>155</u>	<u>138</u>
	<u>155</u>	<u>138</u>

This refers to a cautionary deposit made in accordance with case no. 0003402-14.2012.4.01.3813, in an ordinary lawsuit proposed by the Terra Institute against the Federal Union, aiming at the suspension of the collection of resources that were transferred to it by the National Environment Fund (FNMA). The value is updated monthly by the monetary correction calculated based on the Selic rate.



TERRA INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)[1]

10. Fixed assets

	<b>Balances 31/12/2021</b>	<b>Addition</b>	<b>Write-off</b>	<b>Depreciation</b>	<b>Balances 31/12/2022</b>
Real estate	2.623	-	-	-	2.623
Buildings	1.192	-	-	(137)	1.055
Improvements in own facilities	81	-	-	(10)	71
Machines and equipment	327	50	(3)	(59)	315
Furniture and utensils	201	107	-	(49)	259
Real estate under construction	-	21	-	-	21
Vehicles	32	17	(4)	(8)	37
	<b>4.456</b>	<b>195</b>	<b>(7)</b>	<b>(263)</b>	<b>4.381</b>

	<b>Balances 31/12/2020</b>	<b>Addition</b>	<b>Write-off</b>	<b>Depreciation</b>	<b>Balances 31/12/2021</b>
Real estate	2.623	-	-	-	2.623
Buildings	1.327	-	-	(135)	1.192
Improvements in own 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>

TERRA INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)[1]

11. Intangible assets

	Balances as of 12/31/2021	Addition	Amortization	Balances as of 12/31/2022
Software	<u>16</u>	<u>-</u>	<u>(7)</u>	<u>9</u>
	<u>16</u>	<u>-</u>	<u>(7)</u>	<u>9</u>
	Balances as of 12/31/2020	Addition	Amortization	Balances as of 12/31/2021
Software	<u>19</u>	<u>4</u>	<u>(7)</u>	<u>16</u>
	<u>19</u>	<u>-</u>	<u>(7)</u>	<u>16</u>

## TERRA INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022 (In thousands of reais, unless otherwise indicated)

#### 12. Labor Obligations

	<u>2022</u>	<u>2021</u>
Social charges	109	93
Labor obligations	180	142
Labor provisions	<u>320</u>	<u>266</u>
	<u>609</u>	<u>501</u>

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

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

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

#### 13. Suppliers and other payables

	<u>2022</u>	<u>2021</u>
Suppliers	113	106
Other accounts payable	1	1
	<u>114</u>	<u>107</u>

The accounts payable to suppliers, are obligations to pay for goods and/or services, that were acquired in the normal course of business. Other accounts payable are discounts on the payroll of employees, by judicial order and/or negotiation with a financial institution.

#### 14. Loans and Financings

##### Composition of loans

<u>Entity</u>	<u>Linked interests</u>	<u>2022</u>	<u>2021</u>
Krenak Emp. Artistic Ltd.	Selic	<u>135</u>	<u>135</u>
		<u>135</u>	<u>135</u>

These refer to loans, taken from Krenak Artistic Enterprises Ltd. (a donor of resources to the Institute), which have indeterminate maturity dates.

The amounts are monetarily corrected based on the Selic rate and are recognized as financial expenses in the result of the year. However, Krenak has been annually recognizing such active interest as new donations to the Institute, which nullifies the negative effect on the entity's result.

## TERRA INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022 (In thousands of reais, unless otherwise indicated)

The resources were used to fund the social objective of the Institute, in permanent nature projects. The loans were and occasionally are taken mainly when there are delays in the release of resources committed by project sponsors.

#### 15. Adjustments of previous years

In 2022, an adjustment of previous years was made in the Entity's Social Equity, related to the settlement of vacation provision accounts.

#### 16. Social capital

Social Equity includes Donations and Grants received, supplemented by the surplus or deficit of the year.

	<u>2022</u>	<u>2021</u>
Donations and grants	4.924	4.924
Accumulated surplus	1.155	864
	<u>6.079</u>	<u>5.788</u>

TERRA INSTITUTE

NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)

17. Revenues and expenses

<b>Restricted</b>	<b>2022</b>	<b>2021</b>
<b>Environmental activities</b>		
Education and culture	21	-
Ecosystem education	2.187	644
Environmental extension	1.210	433
Olhos D'Água program	663	1.485
	<u>4.081</u>	<u>2.562</u>
<b>Unrestricted</b>		
Revenue from services and products sold	995	181
Contributions and voluntary donations	3.845	3.818
Gratuities	1.960	1.598
Other resources received	2	67
	<u>6.799</u>	<u>5.664</u>
<b>Operational income</b>	<u>10.880</u>	<u>8.226</u>
<b>Costs and expenses</b>		
<b>Activities and projects</b>		
Education and culture	(1.005)	(500)
Ecosystem education	(3.418)	(1.456)
Vivarium	(813)	(467)
Olhos D'água Program	(657)	(1.974)
Environmental extension	(1.673)	(420)
Cost of products and services sold	(1.642)	(1.310)
	<u>(9.208)</u>	<u>(6.127)</u>
<b>Operational expenses</b>		
Administrative	(1.437)	(1.136)
Depreciation and ammortization	(35)	(29)
	<u>(1.472)</u>	<u>(1.165)</u>
<b>Cost and operational expenses</b>	<u>200</u>	<u>934</u>

## TERRA INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)

**The amount of R\$ 1,959 (R\$ 1,597 – 2021) with Grants, is composed by the following partners:**

- . Ampfy - advertising agency;
- . Google Grants – online advertising;
- . José Augusto dos Santos Servino - human resources consultancy;
- . MAMG Lawyers - legal consultancy;
- . Municipal Prefecture of Aimorés/MG - materials, labor, and equipment loan;
- . Souza Leão Subtil Lawyers Associated – legal consultancy;
- . Uber Systems – IT services;
- . Wide Software Development Solutions Ltd – software licensing;
- . Alterdata – software licensing.

In addition, all services provided by the members of the Board of Directors, Fiscal and Consultative are also considered gratuities.

#### **18. Fiscal aspects**

According to article 13 of the Provisional Measure (MP) No. 2158-35 of 2001, non-profit entities that have employees, as defined by Labor Legislation, will contribute to PIS with a fixed quota of 1% incident on the monthly payroll. Such entities are exempt from PIS on revenues under the terms of §1º, of article 14 of MP No. 2158-35/01, as long as they meet the requirements provided for in article 15 of Law No. 9532/97.

As for COFINS, item X, of article 14 of MP No. 2158-35 of 2001 determines the non-incidence on the revenues of non-profit institutions. Also in this case, the enjoyment of the exemption depends on meeting the requirements provided for in article 12 of Law No. 9532/97.

Additionally, under the terms of item III and § 1º of article 14 of Provisional Measure (MP) No. 2158- 35 of 2001, revenues from services provided to a natural or legal person resident or domiciled abroad are exempt from PIS and COFINS, whose payment represents an inflow of foreign currency.

The Terra Institute, a non-profit entity, is exempt from income tax and social contributions, under the terms of article 195, paragraph 7, of the Federal Constitution.

## TERRA INSTITUTE

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2022

(In thousands of reais, unless otherwise indicated)

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

José Armando de Figueiredo Campos	President
Juliano Ribeiro Salgado	Vice-president
Tomaz Benedito de Souza	Secretary General

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

#### **The Terra Institute Fiscal Council is composed of the following members:**

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

Executive Director  
Sérgio Rangel Gomes

Technical Responsible  
Glacylene Pavuna de Oliveira  
Accountant  
CRC ES 016822