

**Instituto Estre de Responsabilidade  
Sócio-Ambiental**

**Financial Statements for the year ended as of  
December 31, 2017 and Independent Auditors'  
Report**

**(Convenience translation into English from the original  
previously issued in Portuguese)**

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# **Independent Auditors' Report on the Financial Statements**

To the  
Administrators and Members of  
**Instituto Estre de Responsabilidade Sócio-Ambiental**  
São Paulo – SP

## **Qualified opinion**

We have audited the financial statements of Instituto Estre de Socio-Ambiental Responsabilidade ("Institute"), which comprise the balance sheet as of December 31, 2017 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year ended, as well as the related explanatory notes, including a summary of the main accounting policies.

In our opinion, except for the matters mentioned in the section "Basis for qualified opinion", the financial statements referred to above present properly, in all material respects, the equity and financial position of the Instituto Estre de Responsabilidade Sócio-Ambiental at December 31, 2017, the performance of its operations and their respective cash flows for the year ended, in accordance with accounting practices adopted in Brazil applicable to non-profit entities.

## **Basis for qualified opinion**

### **Financial Statements for the previous year**

The financial statements of the Institute for the year ended December 31, 2016 presented for comparison purposes have not been examined by us or by other independent auditors. Consequently, we do not express an opinion on them. In addition, the additional examinations carried out, arising from a first audit, on transactions and amounts that comprise the balances as of December 31, 2016 were not sufficient to ensure that such balances do not have material effects on the result and changes in shareholders' equity for the year ended December 31, 2017.

Our audit was conducted in accordance Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section entitled "Auditor's Responsibilities for Auditing the Financial Statements." We are independent in relation to the Institute, in accordance with the relevant ethical principles set forth in the Professional Code of Ethics of the Accountant and in the professional norms issued by the Federal Accounting Council, and we comply with the other ethical

responsibilities according to these norms. We believe that the audit evidence we have obtained is sufficient and appropriate to substantiate our opinion.

### **Emphasis**

#### **Going Concern**

The Institute's management has been adopting measures established at the beginning of the year to equalize liabilities and reversal of negative results, as mentioned in Note 1. The maintenance of the Institute's operational capacity is linked to the success of those measures. The financial statements were prepared considering the normal continuity of the Institute's operations. Our opinion has no qualifications related to this matter.

#### **Accounting and governance responsibilities of the financial statements**

Management is responsible for preparing and adequately presenting the financial statements in accordance with accounting practices adopted in Brazil applicable to non-profit entities and for the internal controls that it has determined to be necessary to enable the preparation of financial statements free of material misstatement, regardless of whether it is caused by fraud or error.

In preparing the financial statements, Management is responsible for evaluating the Institute's capacity to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of this accounting basis in the preparation of the financial statements, unless Management intends to liquidate the Institute or cease its operations, or has no realistic alternative to prevent the closure of operations. Those responsible for the governance of the Institute are those responsible for overseeing the process of preparing the financial statements.

#### **Responsabilidades do auditor pela auditoria das demonstrações contábeis**

Our purpose is to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error, and issue an audit report containing our opinion. Reasonable safety is a high level of security, but not a guarantee that the audit conducted in accordance with Brazilian and international auditing standards will always detect any relevant relevant distortions. Distortions may be due to fraud or error and are considered relevant when, individually or jointly, they can influence, from a reasonable perspective, the economic decisions of the users taken based on the said financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. In addition:

- We identify and evaluate the risks of material misstatement in the financial statements regardless of whether it is caused by fraud or error, we design and perform audit procedures



in response to such risks, and we obtain audit evidence that is appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, since fraud may involve the act of circumventing internal controls, collusion, forgery, omission, or false intentional representations.


- We obtain an understanding of the internal controls relevant to the audit to plan audit procedures appropriate to the circumstances, but not, for the purpose of expressing an opinion on the effectiveness of the Institute's internal controls.
- We evaluate the adequacy of the accounting policies used and the reasonableness of the accounting estimates and respective disclosures made by Management.
- We conclude on the adequacy of Management's use of the accounting basis for operational continuity and, based on the audit evidence obtained, whether there is a material uncertainty regarding events or conditions that may raise significant doubt regarding the Company's operational continuity Institute. If we conclude that there is material uncertainty, we should draw attention in our audit report to the respective disclosures in the financial statements or include modification in our opinion if the disclosures are inadequate. Our findings are based on audit evidence obtained as of the date of our report. However, future events or conditions may cause the Institute to no longer be in operational continuity, as explained in note 1.
- We evaluate the overall presentation, structure and content of financial statements, including disclosures and whether the financial statements represent the corresponding transactions and events in a manner consistent with the objective of adequate presentation.

We communicate with those responsible for governance regarding, inter alia, the planned scope, timing of the audit, and significant audit findings, including any significant deficiencies in internal controls that we have identified during our work.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, May 9, 2018.

**Vexsea Auditores Independentes S.S.**  
**CRC 2SP-037.537/O-1**

  
**Luiz Carlos Soares da Silva**  
**Engagement Partner**  
**CRC 1SP-228.054**

# Instituto Estre de Responsabilidade Sócio-Ambiental

Balance Sheet as of December 31, 2017 and 2016

(In reais)

ASSETS	Notes	31/12/2017	31/12/2016 (Unaudited)	LIABILITIES AND EQUITY	Notes	31/12/2017	31/12/2016 (Unaudited)
<u>Current Assets</u>				<u>Current Liabilities</u>			
Cash and cash equivalents	3	13.713	7.817	Suppliers	6	62.440	168.367
Other receivables	4	36.677	171.850	Labor obligations	7	43.921	36.112
Taxes refund		57	57	Tax obligations	8	4.326	822
				Labor provisions and taxes	9	59.823	53.723
<b>Total current assets</b>		<b>50.447</b>	<b>179.724</b>	<b>Total current liabilities</b>		<b>170.510</b>	<b>259.024</b>
<u>Non-current Assets</u>				<u>Equity</u>			
Fixed assets	5	640.941	680.482	Equity	10	601.182	729.387
				Exercise deficit		(80.304)	(128.205)
<b>Total non-current assets</b>		<b>640.941</b>	<b>680.482</b>	<b>Total equity</b>		<b>520.878</b>	<b>601.182</b>
<b>TOTAL ASSET</b>		<b>691.388</b>	<b>860.206</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>691.388</b>	<b>860.206</b>

The notes are an integral part of these financial statements.

# Instituto Estre de Responsabilidade Sócio-Ambiental

Statement of income for the years ended December 31, 2017 and 2016

(In reais)

	<u>Notes</u>	<u>31/12/2017</u>	<u>31/12/2016</u> (Unaudited)
<b>Revenues from operation</b>			
Contributions and donations	11	2.735.465	2.900.799
		<b>2.735.465</b>	<b>2.900.799</b>
<b>Revenues/(Expenses) from operation</b>			
Labor/Payroll	13	(1.474.729)	(1.369.166)
General and administrative	14	(747.690)	(588.537)
Services	15	(237.186)	(657.959)
Events and projects	12	(280.173)	(357.043)
Depreciation	5	(64.308)	(69.956)
Taxes		(4.204)	(12.035)
Other revenues		1.410	-
<b>Total</b>		<b>(2.806.880)</b>	<b>(3.054.696)</b>
<b>Superávit before financial result</b>		<b>(71.415)</b>	<b>(153.897)</b>
Net financial result		(8.889)	25.692
<b>Exercise deficit</b>		<b>(80.304)</b>	<b>(128.205)</b>

The notes are an integral part of these financial statements.

## Instituto Estre de Responsabilidade Sócio-Ambiental

Statement of comprehensive income for the years ended December 31, 2017 and 2016

(In reais)

	<u>31/12/2017</u>	<u>31/12/2016</u> (Unaudited)
<b>Exercises deficit</b>	(80.304)	(128.205)
Other comprehensive income	<u>-</u>	<u>-</u>
<b>Comprehensive income</b>	<u><u>(80.304)</u></u>	<u><u>(128.205)</u></u>

The notes are an integral part of these financial statements.

## Instituto Estre de Responsabilidade Sócio-Ambiental

Statements of changes in shareholders' equity for the years then ended  
on December 31, 2017 and 2016

(In reais)

	<u>Note</u>	<u>Equity</u>	<u>Exercise Superávit/ (Déficit)</u>	<u>Total</u>
<b>Balances as of December 31, 2015 (unaudited)</b>				
		763.038	(33.651)	729.387
Exercise deficit		-	(128.205)	(128.205)
<b>Balances as of December 31, 2016 (unaudited)</b>	10	763.038	(161.856)	601.182
Transfer to equity		(161.856)	161.856	-
Exercise deficit		-	(80.304)	(80.304)
<b>Balances as of December 31, 2017</b>	10	<b>601.182</b>	<b>(80.304)</b>	<b>520.878</b>

The notes are an integral part of these financial statements.

## Instituto Estre de Responsabilidade Sócio-Ambiental

### Statement of Cash Flows for Years ended on December 31, 2017 and 2016

(In reais)

	<u>31/12/2017</u>	<u>31/12/2016</u> (Unaudited)
<b>Operational activities</b>		
Exercise deficit	(80.304)	(128.205)
<b>Adjustment to reconcile net income to cash and cash equivalents by operating activities</b>		
Depreciation	<u>64.308</u>	<u>69.956</u>
Adjusted exercise deficit	(15.996)	(58.249)
<b>Decrease (Increase) assets</b>		
Other receivables	<u>135.173</u>	<u>(69.746)</u>
	135.173	(69.746)
<b>Increase (decrease) liabilities</b>		
Suppliers	(105.927)	139.939
Labor obligations	7.809	10.479
Tax obligations	3.504	(16.714)
Labor provisions and taxes	<u>6.100</u>	<u>(4.891)</u>
	<u>(88.514)</u>	<u>128.813</u>
<b>Cash provided by operating activities</b>	<b>30.663</b>	<b>818</b>
<b>Cash flow from investing activities</b>		
Increases in fixed assets	<u>(24.767)</u>	<u>(1.557)</u>
<b>Net cash provided by financing activities</b>	<b>(24.767)</b>	<b>(1.557)</b>
<b>Net increase / (decrease) in the balance of cash and cash equivalents</b>	<b><u>5.896</u></b>	<b><u>(739)</u></b>
<b>Net changes in cash and cash equivalents</b>		
Cash and cash equivalent at beginning of year	7.817	8.556
Cash and cash equivalents at the end of the year	<u>13.713</u>	<u>7.817</u>
<b>Net increase / (decrease) in the balance of cash and cash equivalents</b>	<b><u>5.896</u></b>	<b><u>(739)</u></b>

The notes are an integral part of these financial statements.

# Instituto Estre de Responsabilidade Sócio-Ambiental

(Values expressed in Brazilian reais)

(Convenience translation into English from the original previously issued in Portuguese)

## Notes to the financial statements at December 31, 2017 and 2016

### 1. Operatinal context

The Instituto Estre de Responsabilidade Sócio-Ambiental (“Estre Institute” e/ou “Institute”), founded on November 11, 2006, is a civil association, under private Law, non-profit organization, established at Avenida Juscelino Kubitschek, 1.830, 3rd, Torre I, São Paulo, CEP: 04543 -900.

The purpose of the Institute is to promote, encourage, develop and maintain preservation, education and environmental research actions, as well as promote cultural development, acting specifically, but not only in:

- Conservation and restoration of degraded areas in the urban and rural environment;
- Production and sale of seedlings for use in reforestation;
- Training of human resources for an activity of the Institute;
- Promotion of environmental education projects;
- Development of projects aimed at sustainable consumption recycling and recycling of waste;
- Support for projects to promote culture, citizenship, democracy and other universal values, as well as inclusion and economic and social development;
- Defense, research and dissemination of the Brazilian cultural heritage

Estre Institute is qualified as Civil Society Organization of Public Interest - Oscip.

The Institute renewed its environmental entity certificate for the purposes of Decree 46655/02 for the 2018/2019 financial year, valid until March 31, 2019.

### Management plan for déficit equalization

The Institute incurred deficits in recent years and net working capital in the amount of R\$120.630 (R\$79,300 on December 31, 2016). The Institute's management also implemented some strategic changes, mainly in the reduction of expenses, aiming to begin the restoration of the economic-financial balance, keeping control of the expenses to not to impact of the results. The Institute's Management believes that with these ongoing measures and others that may be implemented during the year, they will bring the expected results and will provide the equalization of the Institute's financial flow, as well as further optimize the economic-financial result.

# Instituto Este de Responsabilidade Sócio-Ambiental

(Values expressed in Brazilian reais)

## 2. Accounting Policies

### 2.1 Basis of preparation of the financial statements

#### a) Conformity declaration

The financial statements have been prepared in accordance with the accounting practices adopted in Brazil applicable to non-profit entities, taking into consideration the Accounting Standard for Accounting for small and medium-sized Institutes and the General Technical Interpretation ITG 2002 (R1) - Entity without purpose of Profits, approved by the Federal Accounting Council.

The issuance of the financial statements was authorized by the Board of Directors on May 9, 2018, as provided for in the Bylaws.

Management affirms that all relevant information specific to the financial statements, and only them, are evidenced, and correspond to those used by Management in its management.

#### b) Basis of measurement

The financial statements have been prepared based on historical cost.

#### c) Functional currency

The functional currency of the Institute is the Real and all amounts presented in these financial statements are expressed in reais, unless otherwise indicated.

### 2.2. Significant Accounting Policies

The Institute's Management has applied the accounting policies described below in a consistent manner to all the periods presented in these financial statements.

#### a) Calculation of results

Revenues are recorded when they are received, that is, under the cash accounting regime. Expenses are calculated in accordance with the accrual basis of accounting

Revenues from voluntary work, when available, are measured at their fair value, taking into account the amounts that the Institute would have to pay if it contracted these services in a similar market. Revenues from voluntary work are recognized in income for the year as income in the operating revenues group against operating expenses, as of December 31, 2017, income and expenses were not recognized as voluntary work at the Institute.

#### b) Cash and Cash Equivalents

Cash and cash equivalents are classified as term and liquidity, and are stated at acquisition cost, plus profits earned up to the period end dates and deducted, when applicable, from provision for adjustment to net realizable value.



# Instituto Este de Responsabilidade Sócio-Ambiental

(Values expressed in Brazilian reais)

## c) Fixed Assets

### • Recognition and measurement

Items of fixed assets are measured at historical cost of acquisition or construction, less accumulated depreciation and accumulated impairment losses, when necessary.

### • Depreciation

Depreciation is calculated on the depreciable value, which is the cost of an asset, or other value that substitutes the cost, less the residual value. Depreciation is recognized in the income statement based on the straight-line method over the estimated useful lives of the asset. The estimated useful lives for the current and comparative periods are as follows:

Description	Estimated useful life
Furniture and utensils	10 years
Vehicles	5 years
Machines and equipment	10 years
installations	10 years
Leasehold and properties from third party	4 years
Computers and Peripherals	5 years

Depreciation methods, useful lives and residual values will be reviewed at each financial year-end and any adjustments are recognized as changes in accounting estimates.

## d) Other assets and liabilities (current and non-current)

An asset is recognized in the balance sheet when it is probable that its future economic benefits will be generated in favor of the Institute and its cost or value can be reliably measured.

A liability is recognized in the balance sheet when the Institute has a legal or constituted obligation as a result of a past event and it is probable that an economic resource will be required to liquidate it. The corresponding charges and monetary or exchange variations incurred are added, when applicable. Provisions are recorded based on the best estimates of the risk involved.

Assets and liabilities are classified as current when their realization or settlement is likely to occur in the next 12 (twelve) months. Otherwise, they are shown as non-current.

## e) Provisions

A provision is recognized, based on a past event, whether the Institute has a legal or constructive obligation that is reliably estimated, and it is likely that an economic resource will be required to settle the obligation. Provisions are calculated based on the fair value of the expected obligations.

# Instituto Este de Responsabilidade Sócio-Ambiental

(Valores expressos em reais)

## f) Financial Instruments

A The Institute's Management does not have financial assets measured at fair value through profit or loss or through other comprehensive income and has not operated with derivative financial instruments.

Accordingly, all of the Institute's financial instruments are initially recognized at the transaction price (including transaction costs) and subsequent measurements, where applicable, occur on the amortized cost method at the effective interest rate.

The Institute's Management periodically evaluates whether there is a need to recognize the impairment of its financial assets.

## g) Cash Flow

The Institute's Management presents the statement of cash flows in accordance Accounting Pronouncement CPC 03 "Statement of cash flows", issued by the Accounting Pronouncements Committee (CPC), using the indirect method, according to which the net result is adjusted by the effects of non-cash transactions, the effects of any deferred or recognition by competence on cash receipts or past or future operating cash payments and the effects of revenue or expense items associated with cash flows from investing or operating activities financing.

## h) Recent Accounting Pronouncements

Until to the date of disclosure of these financial statements, the following accounting pronouncements and interpretations were issued or substantially amended, but were not mandatory for the year 2017:

Pronouncement			Mandatory application for financial years beginning on or after:
Brazil	Internacional Equal	Matter	
CPC 48	IFRS 9	Financial Instruments	January 1, 2018
CPC 47	IFRS 15	Revenues from contracts with customers	January 1, 2018
CPC 06 (R2)	IFRS 16	Leasing	January 1, 2018

The Institute's Administration considers that the application of the above pronouncements in the future will not have any relevant effects on the Institute's financial statements.

## 2.3. Major Accounting judgments and estimates

The preparation of financial statements in accordance CPC standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

# Instituto Estre de Responsabilidade Sócio-Ambiental

(Valores expressos em reais)

Estimates and assumptions are reviewed in a continuous manner. Reviews with respect to accounting estimates are recognized in the period in which the estimates are reviewed and in any future periods affected. Significant assets and liabilities subject to these estimates and assumptions include, among other:

- Residual value of fixed assets;
- Measurement of financial instruments.

## 3. Cash and Cash Equivalents

<b>Description</b>	<b>31/12/2017</b>	<b>31/12/2016</b> <b>(Unaudited)</b>
Cash	63	7.659
Bank accounts	13.650	158
<b>Total</b>	<b>13.713</b>	<b>7.817</b>

The balances of the bank account are represented, mainly, by current accounts maintained in Brazilian financial institutions.

## 4. Other receivables

<b>Description</b>	<b>31/12/2017</b>	<b>31/12/2016</b> <b>(Unaudited)</b>
Loans to employees	32.175	47.175
Travel Advances	4.502	61.340
Advances to suppliers	-	63.335
<b>Total</b>	<b>36.677</b>	<b>171.850</b>

## 5. Fixed Assets

The fixed assets of the Institute are fully located in Brazil and are used exclusively in its activities. The details of fixed assets are presented in the following tables:

# Instituto Este de Responsabilidade Sócio-Ambiental

(Valores expressos em reais)

Description	Estimated useful life			31/12/2017	31/12/2016
		Fixed asset Cost	Depreciation	Fixed Asset Net	Fixed Asset Net
					(Unaudited)
Furniture and utensils	10 years	221.513	(200.381)	21.133	41.802
Computers and Peripherals	5 years	106.034	(95.077)	10.957	9.612
Vehicles	5 anos	123.615	(123.615)	-	-
Machines and equipment	10 years	6.048	(4.478)	1.570	2.175
installations	10 years	27.551	(27.551)	-	2.756
Leasehold and properties from third part	4 years	887.104	(279.823)	607.281	624.137
<b>Total</b>		<b>1.371.865</b>	<b>(730.924)</b>	<b>640.941</b>	<b>680.482</b>

## Transactions in fixed assets cost

Description	Balance in 31/12/2016	Increase	Decrease	Balance in 31/12/2017
	(Unaudited)			
Furniture and utensils	6.048	-	-	6.048
Computers and Peripherals	221.513	-	-	221.513
Vehicles	99.587	6.447	-	106.034
Machines and equipment	123.615	-	-	123.615
installations	27.551	-	-	27.551
Leasehold and properties from third part	868.784	18.320	-	887.104
	<b>1.347.098</b>	<b>24.767</b>	<b>-</b>	<b>1.371.865</b>

## Depreciation

Description	Balance in 31/12/2016	Increase	Decrease	Saldo em 31/12/2017
	(Unaudited)			
Furniture and utensils	(3.873)	(605)	-	(4.478)
Computers and Peripherals	(179.711)	(20.669)	-	(200.381)
Vehicles	(89.974)	(5.102)	-	(95.077)
Machines and equipment	(123.615)	-	-	(123.615)
installations	(24.795)	(2.756)	-	(27.551)
Leasehold and properties from third part	(244.647)	(35.176)	-	(279.823)
	<b>(666.616)</b>	<b>(64.308)</b>	<b>-</b>	<b>(730.924)</b>

In the year ended December 31, 2017, the depreciation portion was recorded in the amount of R\$64.308 (R\$69.956 on December 31, 2016) in the "Depreciation" account.

Management did not identify events that could generate a provision record to reduce the recoverable value of assets.

# Instituto Estre de Responsabilidade Sócio-Ambiental

(Valores expressos em reais)

## 6. Suppliers

The suppliers account in the amount of R\$62.400 (R\$168.367 as of December 31, 2016) corresponds to the contracting of service providers and acquisitions of office equipment to the development of its activities.

## 7. Labor obligations

Description	31/12/2017	31/12/2016 (Unaudited)
INSS - National Social Security (Pension) Institute	17.396	14.528
IRRF - Income Tax	15.607	10.555
FGTS - Severance pay fund	6.528	5.332
INSS - (National Social Security (Pension) Institute) services	3.192	4.735
CSRF - Social Contributions Withheld	59	59
Pis - (Program of Social Integration) salary	1.139	903
	<b>43.921</b>	<b>36.112</b>

## 8. Tax obligations

Description	31/12/2017	31/12/2016 (Unaudited)
IRRF - Income tax withheld Legal entity	84	77
CSRF - Social Contributions Withheld	262	258
ISS - Municipal service tax	3.980	488
	<b>4.326</b>	<b>822</b>

## 9. Labor provisions and taxes

Description	31/12/2017	31/12/2016 (Unaudited)
Vacations	44.478	37.557
Taxes vacations	15.345	12.957
	<b>59.823</b>	<b>50.514</b>

# Instituto Estre de Responsabilidade Sócio-Ambiental

(Valores expressos em reais)

## 10. Equity

### a) Equity

The Shareholders' Equity is represented by the initial equity of the Institute, plus the results determined annually from the date of its incorporation that are fully employed in its social objectives, as disclosed in note 1.

## 11. Contribution Revenues

Revenues from contributions in the amount of R\$2.735.465 (R\$2.900.799 as of December 31, 2016) comes from the Institute spontaneous, collected monthly and from its sponsor for use in its activities described in note no. 11.

## 12. Labor/Payroll Expenses

Descrição	31/12/2017	31/12/2016 (Unaudited)
Salary	(809.207)	(732.465)
INSS	(207.618)	(185.764)
FGTS	(64.802)	(57.643)
Pis	(8.040)	(7.018)
Benefits	(229.357)	(242.608)
Other expenses	(155.704)	(143.668)
	<b>(1.474.729)</b>	<b>(1.369.166)</b>

## 13. General and Administrative Expenses

Description	31/12/2017	31/12/2016 (Unaudited)
Institutional Marketing	(119.004)	(11.233)
Travel and lodging reimbursement	(150.516)	(60.916)
Maintenance and Conservation	(146.827)	(104.141)
Car Rental	(86.487)	(62.434)
Transport	(69.540)	(100.300)
Fuels	(31.619)	(20.666)
Office Supplies	(27.073)	(18.026)
Other expenses	(116.624)	(210.821)
	<b>(747.690)</b>	<b>(588.537)</b>

# Instituto Este de Responsabilidade Sócio-Ambiental

(Valores expressos em reais)

## 14. Services

Description	31/12/2017	31/12/2016 (Unaudited)
Security and surveillance	(156.152)	(278.876)
Lawyers	(36.365)	(31.136)
Accounting	(27.244)	(17.123)
Workplace safety	(2.225)	(3.354)
Services provided	(1.200)	(1.220)
Permanent contracts	(14.000)	(326.250)
	<u>(237.186)</u>	<u>(657.959)</u>

## 15. Events and projects expenses

Description	31/12/2017	31/12/2016 (Unaudited)
Small institutional meetings	(93.478)	(119.679)
Children's fortnight	(78.787)	(54.829)
Sustainable Schools	(63.887)	(119.193)
Training of monitors	(43.237)	(62.489)
Teacher training	(784)	(853)
	<u>(280.173)</u>	<u>(357.043)</u>

## 16. Related Parties

The Administration of the Institute did not carry out transactions or contracted services of related parties.

### Management Remuneration

The Institute will not distribute profits, gratuities or benefits to its Directors under any form or pretext, as well as, board of Directors and Directors are not remunerated, directly or indirectly, by their functions and neither receives advantages or benefits.

The Institute's management has no benefit from termination of contract, share-based payments and other long-term benefits to key management personnel.

## 17. Risk management and financial instruments

### a. General considerations and policies

The Institute contracts financial instruments, is recorded in equity accounts, which are intended for operations and financials necessity.

# Instituto Estre de Responsabilidade Sócio-Ambiental

(Valores expressos em reais)

The management of the instruments is being carried out through policies, the definition of strategies and the creation of control systems, being monitored by the Institute's Administration.

The Institute's management did not contract financial instruments in the form of derivatives or in foreign currency.

## **b. Financial risk management**

The Institute's activities expose itself to few financial risks. The Institute does not have any financial liabilities and financial income does not make up a significant part of its revenues, so that management understands that it is not vulnerable to fluctuations in interest rates.

The Institute does not have assets, liabilities, revenues or expenses linked to exchange variations.

It is also understood that there is no relevant credit risk, since it works with first-tier banks and has no other relevant financial assets.

## **c. Capital Management**

The Institute's objectives to managing its capital are to safeguard capacity of the Institute to provide benefits to its members and other stakeholders.

On December 31, 2017, the Institute has a negative liquidity balance of R \$ 39,966 (R \$ 79,300 on December 31, 2016).

The Institute has exclusive financial instruments classified as "Loans and Receivables". Balances on balanced data do not differ materially from their fair values.

## **18. Tax exemption**

As a non-profit organization, the entity is exempt from the payment of federal taxes levied on revenues, in accordance articles 167 to 174 of the Income Tax Regulation approved by Decree N°. 3000 of 03/26/99 and by article 195 of the Federal Constitution, therefore, exempts income tax and social contribution on net income.

The Institute is not immune to its social security obligations and does not enjoy any benefit of this nature. Their labor obligations, such as contributions to the INSS and the FGTS, are normally calculated on the payroll benefits, just as the PIS is calculated by applying the percentage of 1% of the salaries paid to the employees.

As from July 2015, the Institute started to collect COFINS on its financial revenues, updated by Decree No. 8,426 / 2015, as determined by Law 10.865 / 2004.



# Instituto Estre de Responsabilidade Sócio-Ambiental

(Valores expressos em reais)

## 19. Insurance contract (Unaudited)

The Institute's management has insurance to protect its assets, which was done according to the characteristics of the assets, the relevance and the replacement value of the assets, and the risks to which they are exposed, observing the legal, contractual and technical bases. The amounts were considered sufficient by Management to cover the risks involved. The risk assumptions adopted, given their nature, are not part of the audit scope and, therefore, were not examined by the independent auditors.

\* \* \*

Dirceu Pierro  
Administration Executive

Ricardo Kolndorfer  
Accountant  
CRC 1SP175741/O-6