

(A free translation of the original in Portuguese)

Associação Direitos Humanos em Rede

**Financial statements at
December 31, 2015
and independent auditor's report**



(A free translation of the original in Portuguese)

Independent auditor's report on the financial statements

To the Founders and Managers
Associação Direitos Humanos em Rede

We have audited the accompanying financial statements of Associação Direitos Humanos em Rede (the "Entity"), which comprise the balance sheet as at December 31, 2015 and the statements of surplus (deficit), changes in equity and cash flows for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



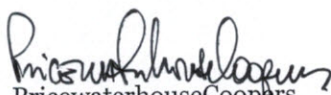


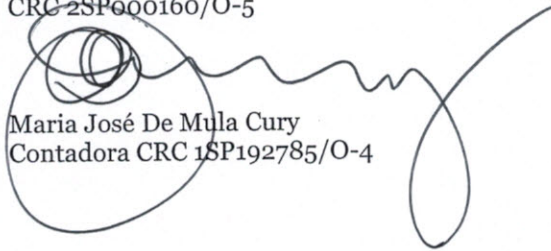
Associação Direitos Humanos em Rede

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associação Direitos Humanos em Rede as at December 31, 2015, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, April 5, 2016


PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Maria José De Mulla Cury
Contadora CRC 1SP192785/O-4

Associação Direitos Humanos em Rede
Balance sheet at December 31
All amounts in reais

(A free translation of the original in Portuguese)

	<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>
Assets			Liabilities and equity		
Current assets			Current liabilities		
Cash and cash equivalents (Note 3)	7,064,896	5,020,371	Accounts payable	-	45
Other receivables (Note 4)	294,196	41,911	Taxes liabilities (Note 6)	11,052	-
			Social charges (Note 7)	275,071	136,492
			Advance donations (Note 8)	4,819,055	3,864,037
	<u>7,359,092</u>	<u>5,062,282</u>		<u>5,105,178</u>	<u>4,000,574</u>
Non-current assets			Equity (Note 8)		
Property and equipment (Note 5)	189,024	162,862	Equity	2,442,938	1,224,570
Total assets	<u>7,548,116</u>	<u>5,225,144</u>	Total liabilities and equity	<u>7,548,116</u>	<u>5,225,144</u>

Associação Direitos Humanos em Rede
Statement of surplus
Years ended December 31

All amounts in reais

(A free translation of the original in Portuguese)

	<u>2015</u>	<u>2014</u>
Domestic donations (Note 8)	154,576	158,486
Foreign donations (Note 8)	6,984,769	4,675,326
Donated services (Note 11)	299,213	494,039
Income from activities	<u>7,438,558</u>	<u>5,327,852</u>
General and administrative expenses (Note 10)	(6.704.981)	(5,184,639)
Tax expenses	(230.451)	(134,589)
Expenses recovered	16,008	18,337
Other	(393)	(35,678)
Expenses with activities	<u>(6,919,817)</u>	<u>(5,336,569)</u>
(Deficit) surplus before finance result	<u>518,741</u>	<u>(8,717)</u>
Finance result (Note 12)	699,627	301,196
Surplus for the year	<u>1,218,368</u>	<u>292,479</u>

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





Associação Direitos Humanos em Rede
Statement of changes in net worth

All amounts in reais

(A free translation of the original in Portuguese)

At December 31, 2013	<u>932,091</u>
Surplus for the year	292,479
At December 31, 2014	<u>1,224,570</u>
Surplus for the year	<u>1,218,368</u>
At December 31, 2015	<u><u>2,442,938</u></u>

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

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Associação Direitos Humanos em Rede
Statement of cash flows
Years ended December 31

All amounts in reais

(A free translation of the original in Portuguese)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
(Deficit) surplus for the year	1,218,368	292,479
Depreciation	32,196	31,409
Impairment of non-financial assets	302	8,272
Adjusted (deficit) surplus for the year	<u>1,250,866</u>	<u>332,160</u>
(Increase) decrease in other receivables	(252,285)	15,197
Increase (decrease) in accounts payable	(45)	(1,467)
Increase (decrease) in social charges	138,579	62,875
Increase (decrease) in taxes	11,052	(303)
Increase (decrease) in advance donations	955,018	2,504,184
Net cash provided by (used in) operating activities	<u>852,319</u>	<u>2,580,486</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(58,660)</u>	<u>(39,824)</u>
Net cash used in investing activities	<u>(58,660)</u>	<u>(39,824)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,044,525</u>	<u>2,872,822</u>
Cash and cash equivalents at the end of the year	7,064,896	5,020,371
Cash and cash equivalents at the beginning of the year	<u>5,020,371</u>	<u>2,147,549</u>
Net increase (decrease) in cash and cash equivalents	<u><u>2,044,525</u></u>	<u><u>2,872,822</u></u>

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

Associação Direitos Humanos em Rede

Notes to the financial statements at December 31, 2015 and 2014

All amounts in reais

1 Operations

Associação Direitos Humanos em Rede ("Conectas" or "The Entity") is an international non-profit and non-governmental organization, established in September 2001 and is located at Paulista Avenue, 575 – 19º floor in São Paulo, Brazil. Its mission is to promote the enforcement of Human Rights and the Democratic Rule of Law, in the Global South - Africa, Latin America and Asia.

Since January 2006, it has a consultative status in the United Nations Organization (UN) and, since May 2009, it has an observer status in the African Commission on Human and Peoples' Rights. Its vision is towards a more just world, with a truly global, diverse and effective human rights movement, where national institutions and the international order are more transparent, effective and democratic.

Conectas develops its activities through three programs - South-South Cooperation, Foreign Policy and Justice - that interact with each other and encompass national, regional and international activities. The individual projects of each program aim to support human rights activists and academics in the Global South and to foster interaction among them, through collaborative networks. They also aim to strengthen international protection of human rights by monitoring the foreign policy of Global South countries. In Brazil, Conectas promotes advocacy, strategic and public interest litigation.

At the administrative level, Conectas' management comprises one chief executive officer (CEO) and one associate director, in order to support all the organization's activities. The administrative and financial sector is responsible for the Balance sheet and Statement of surplus (deficit) for the year, movements of bank accounts and tax, exemption and tax incentive matters. The entire execution of the budget is made by this sector in conjunction with the coordinators of the specific areas, who carry out the South-South Cooperation, Foreign Policy and Justice programs, which also interact among themselves and encompass national, regional and international activities.

New executive director

After an intense recruitment process carried out by the Board of Directors, Jessica Raquel Carvalho Morris begins as the Executive Director of Conectas Human Rights in July 2015.

2 Financial statement presentation and significant accounting practices

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

In accordance with ITG standard 2002, amended by ITG 2002 (R1), approved by CFC Resolution 1,409/12, the fair value of voluntary and donated services is also recorded (Note 11).

Associação Direitos Humanos em Rede

Notes to the financial statements at December 31, 2015 and 2014

All amounts in reais

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

These financial statements were approved by the Entity's Board of Directors on April 5, 2016.

2.1 Functional and presentation currency

The financial statements are presented in Brazilian reais, which is the Entity's functional and presentation currency.

2.2 Cash and cash equivalents

Cash and cash equivalents include funds in domestic currency and financial investments, with original maturity of 90 days or less on the date of effective investment and insignificant risk of change in fair value and which are used by the Entity to meet its short-term commitments.

2.3 Financial assets

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

The portfolio of marketable securities is classified as "Trading securities" and includes marketable securities purchased for the purpose of being frequently and actively traded. They are recorded at market value, with realized and unrealized losses and gains recognized in the statement of surplus.

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

These are financial assets held for active and frequent trading. All financial assets in this category are classified as current assets. Gains or losses arising from the changes in the fair value of financial assets measured at fair value through profit or loss are recorded in the statement of surplus as "Financial results" in the period they occur, unless they are contracted in connection with another transaction. In this case, changes are recorded within the same line of the statement of surplus affected by the other transaction.

(b) Loans and receivables

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

Associação Direitos Humanos em Rede

Notes to the financial statements at December 31, 2015 and 2014

All amounts in reais

2.4 Property and equipment

Property and equipment are stated at historical acquisition cost. Items received through donation are recognized at the amount declared by the donor or the taken amount of R\$ 1, with a corresponding entry to income from donations. Depreciation is calculated at the straight-line method at rates that take into account the useful lives of the assets, as stated in Note 5.

2.5 Impairment of non-financial assets

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

An impairment loss is recognized for the excess of the carrying amount of the asset over its recoverable amount. This amount is the higher of fair value less costs to sell and value in use.

2.6 Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of the Entity's activities, being recognized at the invoice amount or corresponding contract amount. These payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.7 Taxes on operations

Associação Direitos Humanos em Rede is a non-profit entity, exempted from the payment of income tax and social contribution on net income (Note 13). The status of other taxes on operating activities is as follows: (a) Social Integration Program (PIS) - contribution of 1% levied on the payroll; (b) National Institute of Social Security (INSS) contribution - full payment of the employer's and employees' contribution; (c) Withholding Income Tax (IRRF) on revenues from financial investments - carried out regularly by the financial institutions; (d) Employee Indemnity Guarantee Fund (FGTS) - contribution of 8% levied on the payroll.

2.8 Other current assets and liabilities

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

2.9 Equity

Equity includes the initial donation of the founders and donations received from third parties, increased or decreased by the surplus or deficit computed each year.

2.10 Determination of surplus

Income from donations and contributions is recorded upon receipt. Other revenue and expenses are recorded on the accrual basis of accounting.

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2015 and 2014**

All amounts in reais

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

3 Cash and cash equivalents

	<u>2015</u>	<u>2014</u>
Current accounts	392	47,164
Financial investments (*)	<u>7,064,504</u>	<u>4,973,207</u>
	<u><u>7,064,896</u></u>	<u><u>5,020,371</u></u>

(*) Include Bank Deposit Certificates (CDBs), remunerated at floating rates, approximately 91.285% of the Interbank Deposit Certificate (CDI), and repurchase agreements, with daily liquidity, used by the Entity for management of its short-term commitments.

4 Other receivables

At December 31, 2015, these refer mainly to advance payments of rent and advances to employees.

5 Property and equipment

	<u>2015</u>		<u>2014</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>	<u>Annual depreciation rates - %</u>
Furniture and fittings	140,956	(33,587)	107,370	109,960	10
IT equipment	143,607	(66,572)	77,035	46,567	20
Computer software	7,240	(6,884)	356	1,003	20
Telecom equipment	7,709	(3,996)	3,713	4,483	10
Electronic equipment	<u>1,495</u>	<u>(945)</u>	<u>550</u>	<u>849</u>	20
	<u><u>301,007</u></u>	<u><u>(111,983)</u></u>	<u><u>189,024</u></u>	<u><u>162,862</u></u>	

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Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2015 and 2014**

All amounts in reais

The changes in property and equipment were as follows:

	<u>2015</u>	<u>2014</u>
At the beginning of the year	162,862	162,718
Acquisition of assets	58,660	39,824
Impairment of non-financial assets	(398)	(70,364)
Depreciation of impairment of non-financial assets	96	62,093
Depreciation	<u>(32,196)</u>	<u>(31,409)</u>
At the end of the year	<u><u>189,024</u></u>	<u><u>162,862</u></u>

The impairment of non-financial assets was evaluated by a specialized company named – Afixcode – for the year ended December, 31 2015, for compilation, numbering and revaluation. The Entity has made the adjustments taking into consideration that the Entity has moved its head office in July, 2014 and the furniture was customized for the new office. Donations were made to Casas André Luiz for furniture not utilized. The impairment and adjustments to non-financial assets were made to reevaluate non-financial assets in accordance with accounting practices adopted in Brazil,

6 Taxes liabilities

Decree 8,451/2015, which will apply from 1 July 2015, enacts the levy of PIS/PASEP and COFINS on financial revenues obtained by companies subject to the PIS and COFINS non-cumulative regime, at the rates of 0.65% and 4%, respectively.

The law nº 10.637/02, art. 8º, and the law nº 10.833/03, art. 10, define that tax-exempted legal entities are subject to the PIS and COFINS cumulative regime. Conectas is tax exempt, and has not defined tax treatment about cumulative and non-cumulative regime, therefore, the company should calculate non-cumulative PIS/PASEP and COFINS on financial revenues obtained by the company, at the rates of 0.65% (PIS) and 4% (COFINS). Since the tax-exempt entities calculate PIS/PASEP only on payroll, Conectas has to calculate COFINS on financial revenues.

Conectas opted to discuss judicially the tax, based on their lawyers advice, through preventive injunction, claiming:

- The unconstitutionality of the tribute;
- The tax-exemption, supported on 195, § 7 th of the Federal Constitution, supported by Article 3 of Law No. 8,742 / 93 (Organic Law of Social Assistance - LOAS) .

Conectas made a provision for litigation costs of R\$ 11,052, according to the balance sheet - "Tax liabilities".

7 Social charges

Social charges refer primarily to vacation provisions.



Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2015 and 2014**

All amounts in reais

8 Donations and advance donations

The Entity has received donations with the purpose of maintaining and implementing the social projects it is responsible for.

Of the total funds received in 2015, corresponding to R\$ 12,257,613 (2014 – R\$ 9,191,889), R\$ 7,438,558 (2014 – R\$ 5,327,852) were used this year and R\$ 4,819,055 (2014 – R\$ 3,864,037) will be used in 2015 to continue the projects,

9 Equity

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

In the event the Entity is terminated, its net assets will be obligatorily destined for a non-profit entity or entities with similar purposes, qualified under the terms of Law 9.790/99.

If the Entity loses the qualification established in Law 9.790/99, the respective net assets available, obtained with public funds during the period of the qualification, will be transferred to another legal entity qualified under the provisions of Law 9.790/99, preferably with the same purpose.

10 Administrative and general expenses

	<u>2015</u>	<u>2014</u>
Services provided by legal entities	(321,421)	(623,729)
Services provided by individuals	(59,143)	(16,263)
Personnel	(1,487,005)	(1,008,228)
Travel	(58,549)	(36,083)
Projects costs (*)	(4,250,780)	(2,607,090)
Other expenses	(528,083)	(893,246)
Total	<u>(6,704,981)</u>	<u>(5,184,639)</u>

(*) Composed of:

	<u>2015</u>	<u>2014</u>
Justice Project	(961,342)	(617,343)
Foreign Policy Project	(1,080,781)	(788,609)
Colloquium Project	(1,106,571)	(96,667)
Conectors Project	(185,343)	(164,141)
SUR Magazine Project	(512,714)	(660,484)
Special Project	(404,029)	(279,846)
Total	<u>(4,250,780)</u>	<u>(2,607,090)</u>

Associação Direitos Humanos em Rede

Notes to the financial statements at December 31, 2015 and 2014

All amounts in reais

Justice Program

The Justice Program works to improve the justice system as a whole and to improve detention conditions in prisons. It also aims to strengthen the democratic structures whose purpose is to promote access to justice for all.

- Detention hearings in São Paulo

In January 2015, São Paulo saw the introduction of detention hearings, a means of guaranteeing offenders arrested in flagrante the right to a hearing with a judge within the first 24 hours of their detention. Over the course of the year, Conectas monitored hundreds of these hearings and found that the number of claims of torture at the hands of police officers was extremely high. Moreover, it identified numerous flaws in the services provided by the Public Defender's Office and in the work of the Public Prosecutor's Office, which are not properly fulfilling their role in the external oversight of the police. In October 2015, Conectas participated as a co-petitioner in a thematic hearing of the Inter-American Commission on Human Rights (IACHR), where it pointed out the serious flaws in the detention hearings being carried out in various Brazilian states.

- Torture and degrading conditions in detention facilities

The UN special rapporteur on torture, Juan Méndez, visited Brazil in August 2015 to look into the occurrence of torture and mistreatment in the country's detention facilities. The visit came in response to a March 2014 complaint made by Conectas, Justiça Global and the Maranhão Society of Human Rights in the UN Human Rights Council concerning the violations at Pedrinhas prison, in the state of Maranhão. Conectas was directly involved in the preparation and organization of the visit by Juan Méndez to Brazil. During a press conference in Brasília, the rapporteur highlighted various issues raised by Conectas and partner organizations during the visit. The recommendations of the office of the rapporteur will be compiled into a report and presented to the Brazilian government and to the UN Human Rights Council in March 2016, and also to the UN General Assembly with the presence other countries.

Monitoring and denouncing the appalling conditions in Pedrinhas prison. In November 2015, Conectas visited the Pedrinhas prison complex and inspected four of its eight units. During the visit, an enormous number of human rights violations were identified. In order to give more visibility to the results of this visit, Conectas will produce a multimedia report that will be published on its website and promoted at a public event.

- Abusive search

Considered both humiliating and ineffective, the abusive search affects millions of prisoners' family members, who are forced to undress, squat repeatedly over a mirror and submit to an anal and vaginal inspection before visiting their relatives in prison. On the one-year anniversary of the campaign against abusive searches in Brazilian prisons, Conectas released a map showing the progress and setbacks in banning this practice in the country's states and municipalities.

Associação Direitos Humanos em Rede

Notes to the financial statements at December 31, 2015 and 2014

All amounts in reais

Foreign Policy Program

Over the years, the Foreign Policy Program has grown into one of the organization's central programs. Today, Conectas is a reference in the work of strengthening democratic institutions that guarantee transparency and civil participation in foreign policy decisions.

- Foreign Policy as Public Policy

Working within the sphere of the Brazilian Human Rights and Foreign Policy Committee (CBDHPE), Conectas helped establish an extremely constructive practice that increases the transparency of the decisions taken by the Brazilian delegation in the UN Human Rights Council. This initiative consists of holding meetings between members of the CBDHPE and the Ministry of Foreign Relations before and after each session of the UN Human Rights Council.

- Holding Brazil accountability for its foreign policy decisions

Over the course of 2015, Conectas pressured the Brazilian government to take positions that are more respectful of human rights in three key areas:

- Brazilian immigration policy. In 2015, Conectas worked to ensure that Brazil, as an international player, has a responsible policy for taking in immigrants. Over the course of the year, the organization worked in both Brasília and São Paulo on the reform of the country's immigration policy, which dates back to the military dictatorship.
 - The ratification of the Arms Trade Treaty (ATT). Brazil signed the ATT in June 2013. However, the country has still not ratified it. To remedy this situation, Conectas has been closely monitoring the formalities for ratifying the treaty and has also developed campaigns to raise awareness of the importance of its ratification. In December 2015, an important step was taken: a Commission of the Lower House of Congress approved a report in favor of ratifying the ATT. If approved by a full session of the Lower House, it will be sent to the Senate and then return to the Executive for the process to be concluded.
 - The closure of Guantanamo. In 2015, Conectas and its partners pressured the Brazilian government to open its doors to take in detainees from Guantanamo who have been acquitted of any charges by the U.S. government. Due to restrictions approved by U.S. Congress, these people are not permitted to enter American soil and many of them cannot return to their countries of origin. Accordingly, the release of these people depends on the willingness of other countries to accept them. In 2015, Conectas helped insert this issue into the public debate, by using a series of media and advocacy strategies.
- Exposing Brazil and other emerging countries in the UN Human Rights Council and other multilateral bodies

One of the activities developed by Conectas on the international level is the use of forums such as the UN Human Rights Council (HRC), the Inter-American Commission on Human Rights (IACHR) and the Universal Periodic Review (UPR) to denounce and expose violations committed in Brazil and in other emerging countries.

Associação Direitos Humanos em Rede

Notes to the financial statements at December 31, 2015 and 2014

All amounts in reais

South-South Program (Colloquium, Sur Journal, Partnership)

The South-South program, one of the main initiatives of Conectas, has been profoundly affected by the recent changes in the South-South and North-South dynamics over the course of the past few years. In order to increase its impact and relevance in this new context, the program has been modified and updated to meet the new demands and needs of human rights defenders from the Global South.

- 14th International Human Rights Colloquium

Between May 24 and 29, 2015, the 14th International Human Rights Colloquium was held in São Paulo. The central theme of the event was the relationship between human rights and the streets. For the first time, the Colloquium was organized by Conectas in conjunction with three other organizations: CELS (Center for Legal and Social Studies) of Argentina, LRC (Legal Resources Centre) of South Africa, and KontraS of Indonesia.

- Sur – International Journal on Human Rights

The journal was published for the first time 11 years ago with the aim of deepening and strengthening the bonds between academics and activists from the Global South and increasing their involvement in the international debate on human rights. Sur has been evolving ever since. In 2015, in order to make the journal more relevant and accessible, Conectas launched its new website: sur.conectas.org. Also in 2015, the organization launched the 21st issue of the journal, which includes a section with nine original articles on the "war on drugs" and its impact on human rights in the Global South.

- Actions in the Global South and work in partnership

In 2015, Conectas worked to strengthen the network of human rights defenders in the Global South:

- Mexico: Forced disappearances in Ayotzinapa. In September 2014, 43 students from a rural college in Ayotzinapa went missing. Ever since, Conectas has organized several actions to give visibility to the case, in addition to assisting partner organizations in Mexico and supporting pressure on the Mexican government for clear answers.
- Conectas Fellowship. Over the course of 2015, Conectas took on two groups of Fellows. The first consisted of two African activists who were involved with the organization's Foreign Policy Program. The second group, formed by three Latin American activists, worked together with the Business and Human Rights team.

Business and Human Rights (Special Projects)

- Give visibility to the human rights violations committed by companies in Brazil and abroad

Conectas has employed various strategies to expose the numerous human rights violations resulting from the tragedy in Mariana, in the state of Minas Gerais. This disaster could have been avoided or minimized with strict licensing rules, proper oversight and a contingency plan.

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2015 and 2014**

All amounts in reais

Two UN special rapporteurs issued statements on the collapse of the tailings dam in Mariana, following the efforts of Conectas and partners in the UN Human Rights Council.

- The Brazilian Development Bank (BNDES)

In November 2015, Conectas and other organizations released the report "Environmental and Social Policy of the BNDES: Present and Future". The report contains articles that analyze the application of the bank's environmental and social policy in large-scale infrastructure projects and proposes recommendations for their improvement.

11 Fair value of voluntary and donated services

Voluntary work identified by management, as well as its fair value, may be described as follows:

	<u>2015</u>	<u>2014</u>
Volunteers	10,986	6,341
Board members	48,227	35,098
Publicity campaign "O fim da Revista Vexatória"	-	452,600
Donation – Coloquio event rent	240,000	-
Total	<u>299,213</u>	<u>494,039</u>

These amounts were recognized in the statement of surplus (deficit) as donations, with a corresponding entry to administrative and general expenses (Other expenses).

The fair value of the voluntary work described above is presented in accordance with ITG Interpretation 2002 approved by CFC Resolution 1.409/12.

The fair value was determined from the amount that the Entity would be willing to pay a third party to perform the same service provided by the volunteer. Accordingly, management made its best fair value estimate based on the information provided by the service provider, since, in general, they also provide the same service to other entities, but for remuneration, and/or based on market information, especially in the case of services for which there is an active and established market, in which information on the service cost is widely disclosed or easily obtained, always considering the size and complexity of the operations of Conectas,

12 Finance result

	<u>2015</u>	<u>2014</u>
Income from financial investments	717,465	309,603
Other finance income	1,314	7,615
Bank expenses	(16,406)	(14,495)
Other finance costs	<u>(2,746)</u>	<u>(1,527)</u>
	<u>699,627</u>	<u>301,196</u>

Associação Direitos Humanos em Rede

**Notes to the financial statements
at December 31, 2015 and 2014**
All amounts in reais

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

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

The Entity meets the requirements of the legislation, and is therefore exempted from income tax (based on article 150 of the Brazilian Federal Constitution) and social contribution on surplus and Social Contribution on Revenues (COFINS), in accordance with Provisional Measure (MP) 2,158-35, article 14, Item X, which established, for taxable events as from February 1, 1999, that the revenues referring to the activities of cultural institutions, as defined in article 15 of law 9,532/97, are exempted from this contribution. In accordance with the disclosures required by NBC ITG - 2002 - "Non-profit entities", if the entity were not exempted, the rate in effect would be 9% (social contribution), 7,6% (COFINS), 1,65% (PIS/invoicing) and 15% (income tax). Conectas has the status of a Public Interest Non-profit Entity (OSCIP), through an order by the National Secretary of Justice, published in the Official Gazette (DOU) of November 7, 2003 and renewed up to September 30, 2016.

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


	Unaudited	
	2015	2014
Corporate Income Tax (IRPJ)	280,591	55,971
Social Contribution on Net Income (CSLL)	109,653	28,789
Social Contribution on Revenues (COFINS)	566,236	404,916
Social Integration Program (PIS)	122,932	87,909

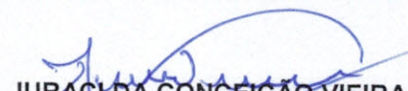
14 Legal proceedings

There are no records of relevant legal or non-judicial proceedings against the entity which represent probable or possible losses.

15 Other information

- (a) In the years ended December 31, 2015 and 2014, the Entity did not utilize derivative financial instruments.
- (b) The Entity does not maintain pension plans or any other retirement or benefit plans for the employees and officers after their termination or a bonus or profit shaving plan for officers and employees.


JESSICA RAQUEL CARVALHO MORRIS
Diretora Executiva


JURACI DA CONCEIÇÃO VIEIRA
Contador CRC-1-SP160,881-O-0

