



FINANCIAL STATEMENTS

ASSOCIAÇÃO DIREITOS HUMANOS EM REDE

**AT DECEMBER 31, 2016
AND INDEPENDENT AUDITOR'S REPORT**

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Independent auditor's report on the financial statements

To the Founders and Managers of
Associação Direitos Humanos em Rede
São Paulo - SP

Opinion

We have audited the accompanying financial statements of Associação Direitos Humanos em Rede, which comprise the balance sheet as at December 31, 2016 and the statements of surplus, comprehensive income, changes in equity and cash flows for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements referred above present fairly, in all material respects, the financial position of Associação Direitos Humanos em Rede as at December 31st, 2016, their financial performance and cash flows for the year then ended, in accordance of accounting practices adopted in Brazil.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Auditing Standards. Our responsibility under those standards are described in a section of our report entitled Auditor's responsibilities for the audit of financial statements. We are independent of the Company in accordance with the relevant ethical requirements established in the Code of Professional Ethics and professional standards issued by the Brazilian Federal Accounting Council. We have fulfilled our other ethical responsibilities under these requirements. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Other matters

The financial statements for the year ended December 31, 2015, shown for purposes of comparison, were audited by other independent auditors, who issued the audit report without modification, dated April 5, 2016.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing the financial statements in accordance of accounting practices adopted in Brazil, and for such internal control as it deems required to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and, as applicable, for disclosing matters related to the going concern basis of accounting in the preparation of the financial statements, unless management intends to liquidate the Company or cease its operations or has no realistic alternative to avoid ceasing its operations.

Those charged with governance are responsible for overseeing the financial statement preparation process.

Auditor's responsibilities for the audit of 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 issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that the audit conducted in conformity with Brazilian and International Auditing Standards will always detect any existing relevant misstatements. Misstatements can arise from fraud or error and are considered material when, 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.

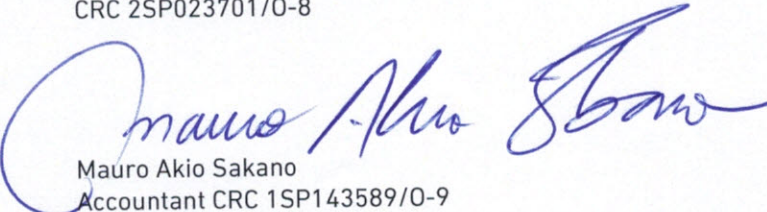
As part of an audit conducted in accordance with Brazilian and International Auditing Standards, we exercise professional judgment and maintain an attitude of professional scepticism throughout the audit. We also:

- Assess the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that achieves fair presentation.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain appropriate and sufficient audit evidence as 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 override of internal control, collusion, forgery, intentional omissions and misrepresentations.
- 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 Association's internal controls.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of the 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, depending on the audit evidence obtained, whether there is a material uncertainty with respect to events or conditions that may cast significant doubt on the ability of the Association to continue as a going concern. If our conclusion is that there is a material uncertainty, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or to modify our opinion, if such disclosures are inadequate. Our conclusions are based on the audit evidence obtained to the date of our report. However, future events or conditions may cause the Association to cease to continue as a going concern.

Communicate with those charged with governance with respect to the planned scope, the audit timing and significant audit findings, among other matters, including any significant deficiencies in internal control that we may identify during our audit.

São Paulo, February 17, 2017

Mazars Auditores Independentes
CRC 2SP023701/O-8


Mauro Akio Sakano
Accountant CRC 1SP143589/O-9

Associação Direitos Humanos em Rede

Balance sheet at December 31 In Brazilian reals

	2016	2015		2016	2015
Assets			Liabilities and equity		
Current assets			Current liabilities		
Cash and cash equivalents (Note 3)	6,417,995	7,064,896	Accounts payable	14,340	-
Other receivables (Note 4)	50,832	294,196	Tax liabilities (Note 6)	39,582	11,052
	6,468,827	7,359,092	Social charges (Note 7)	237,114	275,071
			Advance donations (Note 8)	3,489,858	4,819,055
Non-current assets				3,780,894	5,105,178
Judicial deposits	37,099	-	Equity (Note 9)		
Property and equipment (Note 5)	206,992	189,024	Equity	2,932,023	2,442,938
				6,712,918	7,548,116
Total assets	6,712,918	7,548,116	Total liabilities and equity	6,712,918	7,548,116

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

Associação Direitos Humanos em Rede

Statement of surplus Years ended December 31 In Brazilian reais

	<u>2016</u>	<u>2015</u>
Domestic donations (Note 8)	269,517	154,576
Foreign donations (Note 8)	6,656,540	6,984,769
Donated services (Note 11)	88,767	299,213
Income from activities	<u>7,014,824</u>	<u>7,438,558</u>
General and administrative expenses (Note 10)	(7,189,974)	(6,704,981)
Tax expenses	(91,803)	(230,451)
Expenses recovered	15,081	16,008
Other	(911)	(393)
Expenses with activities	<u>(7,267,607)</u>	<u>(6,919,817)</u>
Deficit before financial result	<u>(252.783)</u>	<u>518,741</u>
Financial result (Note 12)	<u>742,138</u>	<u>699,627</u>
Surplus for the year	<u>489,355</u>	<u>1,218,368</u>
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income for the year	<u>489,355</u>	<u>1,218,368</u>

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

Associação Direitos Humanos em Rede

Statement of changes in equity In Brazilian reais

At December 31, 2014	1,224,570
Surplus for the year	<u>1,218,368</u>
At December 31, 2015	2,442,938
Surplus for the year	489,355
Prior year adjustment	<u>(270)</u>
At December 31, 2016	<u><u>2,932,023</u></u>

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

Associação Direitos Humanos em Rede

Statement of cash flows Years ended December 31 In Brazilian reais

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Surplus for the year	489,355	1,218,368
Depreciation	31,352	32,196
Impairment of property and equipment	13,186	302
Prior year adjustment	270	
	<u>534,163</u>	<u>1,250,866</u>
Adjusted surplus for the year		
(Increase) decrease in other receivables	243,362	(252,285)
(Increase) decrease in judicial deposits	(37,099)	
Increase (decrease) in accounts payable	14,340	(45)
Increase (decrease) in social charges	(38,495)	138,579
Increase (decrease) in taxes	28,530	11,052
Increase (decrease) in advance donations	(1,329,196)	955,018
	<u>(584,395)</u>	<u>852,319</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Acquisition of property and equipment	(62,506)	(58,660)
	<u>(62,506)</u>	<u>(58,660)</u>
Net cash used in investing activities		
Net increase (decrease) in cash and cash equivalents	<u>(646,901)</u>	<u>2,044,525</u>
Cash and cash equivalents at the end of the year	<u>6,417,995</u>	<u>7,064,896</u>
Cash and cash equivalents at the beginning of the year	<u>7,064,896</u>	<u>5,020,371</u>
Net increase (decrease) in cash and cash equivalents	<u>(646,901)</u>	<u>2,044,525</u>

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

Associação Direitos Humanos em Rede

Notes to the financial statements for the years ended December 31, 2015 and 2014 In Brazilian reais

1 Operations

Associação Direitos Humanos em Rede (“Conectas” or “Entity”) is an international non-profit and non-governmental organization established in September 2001 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 had consultative status with the United Nations (UN) and, since May 2009, observer status with the African Commission on Human and Peoples’ Rights. Its vision is for a fairer world, with a truly global, diverse and effective human rights movement, in which 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 develops strategic and public interest litigation.

At the administrative level, Conectas’ management consists of one Executive Director and one Associate Director, in order to provide support for all the organization’s activities. The administrative and financial department is responsible for the Balance Sheet and the Statement of Surplus for the year, banking transactions and tax matters, including tax exemptions and incentives. This department handles the budget in conjunction with the coordinators of the specific areas that carry out the South-South Cooperation, Foreign Policy and Justice programs; these programs also interact together and encompass national, regional and international activities.

New executive director

In early December 2016, the transition in the leadership of Conectas was completed, with the end of the term of Jessica Morris, who until then had occupied the position of executive director. This decision was taken together by Morris and the members of the Board of Trustees, who expressed their deepest gratitude for her dedication and commitment to the organization over the course of her term.

A year-and-a-half ago, Morris joined the team of Conectas bringing relevant international experience in human rights and over this time, she oversaw the strategic planning, the program restructuring and the definition of a new communication strategy that involved the participation of staff members and that will greatly benefit the organization in the years ahead.

Upon the invitation of the Board of Trustees, Juana Kweitel was named the new executive director of Conectas. A lawyer from the University of Buenos Aires with a Masters in International Human Rights Law from the University of Essex, United Kingdom, and in Political Science from the University of São Paulo, Kweitel has been on the staff of Conectas since 2003. Before joining the organization, she worked in Argentina as institutional coordinator of CELS (Center for Legal and Social Studies) and as coordinator of the same organization’s Economic, Social and Cultural Rights Program.

Kweitel also serves on the Board of Trustees of the Brazil Human Rights Fund (2014), on the Advisory Board of Open Global Rights (2013) and on the Advisory Board of Global Witness (2016). She is a member of the Assembly of Partners of the Center for Legal and Social Studies (CELS, Argentina) and of Developments in the Field Panel of the Business and Human Rights Journal, published by Cambridge University Press.

Associação Direitos Humanos em Rede

Notes to the financial statements for the years ended December 31, 2015 and 2014 In Brazilian reais

2 Financial statement presentation and significant accounting principles

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, Federal Decree 7,237 of July 20, 2010 and Law 11.638/07 and alterations, the fair value of voluntary and donated services is also recorded (Note 11).

Financial reporting requires the use of estimates to account for certain assets, liabilities and other transactions, including the determination of useful lives of property and equipment, the valuation of financial assets at fair value, necessary provisions for liabilities and other evaluations. The actual results may differ from those estimated. 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 in 2017.

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.

Associação Direitos Humanos em Rede

Notes to the financial statements for the years ended December 31, 2015 and 2014 In Brazilian reais

(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.

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 (one Brazilian real), 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.

(a) Impairment of non-financial assets

Non-financial assets are assessed periodically 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.

2.5 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.

2.6 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' contributions; (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.

2.7 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.

Associação Direitos Humanos em Rede

Notes to the financial statements for the
years ended December 31, 2015 and 2014
In Brazilian reais

2.8 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.

2.9 Determination of surplus

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

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

3 Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
Current accounts	8,231	392
Financial investments (*)	<u>6,409,764</u>	<u>7,064,504</u>
	<u><u>6,417,995</u></u>	<u><u>7,064,896</u></u>

(*) Include Bank Deposit Certificates (CDBs), remunerated at floating rates of approximately 94.26% of the Interbank Deposit Certificate (CDI) rate, and repurchase agreements, with daily liquidity, used by the Entity for management of its short-term commitments.

4 Other receivables

At December 31, 2016, these refer mainly to advance payments of rent and advances to employees.

5 Property and equipment

	<u>2016</u>		<u>2015</u>		Annual depreciation rates - %
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>	
Movables					
Furniture and fittings	140,956	(47,675)	93,281	107,370	10
IT equipment	189,834	(83,066)	106,768	77,035	20
Telecom equipment	11,707	(5,000)	6,707	3,713	10
Electronic equipment	<u>590</u>	<u>(353)</u>	<u>236</u>	<u>550</u>	20
Intangibles					
Computer software	<u>7,240</u>	<u>(7,240)</u>	<u>-</u>	<u>356</u>	20
	<u><u>350,327</u></u>	<u><u>(143,334)</u></u>	<u><u>206,992</u></u>	<u><u>189,024</u></u>	

Associação Direitos Humanos em Rede

Notes to the financial statements for the years ended December 31, 2015 and 2014 In Brazilian reais

The changes in property and equipment were as follows:

	<u>2016</u>	<u>2015</u>
At the beginning of the year	189,024	162,862
Acquisition of assets	62,506	58,660
Impairment of assets	(13,186)	(398)
Impairment of property and equipment		96
Depreciation	(31,352)	(32,196)
	<u>206,992</u>	<u>189,024</u>
At the end of the year		

The non-financial assets were reviewed by a specialized company - Afixcode - in 2014 for compilation, numbering (tagging) and revaluation. Adjustments were made taking into consideration that the Entity moved offices in July 2013 and that the furniture was customized for the new office. All unused furniture was donated to the charity organization Casas André Luiz. The impairment and adjustments were made observing a technical report prepared by Afixcode to re-evaluate the non-financial assets in accordance with accounting practices adopted in Brazil.

6 Tax liabilities

Decree No. 8,451/2015, which came into force on July 1, 2015, levies PIS and COFINS taxes on financial revenues obtained by companies subject to the PIS and COFINS non-cumulative system at the rates of 0.65% and 4%, respectively.

Law No 10,637/02, in article 8, and Law No. 10.833/03, in article 10, meanwhile, had established that tax-exempt organizations are subject to the PIS and COFINS cumulative system. Under the non-cumulative system, PIS and COFINS taxes are levied at a higher rate but can be offset with tax credits. Under the cumulative system, a lower rate is charged, but there are no tax credits. Therefore, since they do not have any specific tax treatment, tax-exempt organizations like Conectas are subject to the non-cumulative system and should therefore have their financial revenues taxed according to Decree No. 8,426/2015, at the rates of 0.65% (PIS) and 4% (COFINS). Since tax-exempt organizations calculate PIS only on payroll, Conectas only has to calculate the COFINS tax on its financial revenues.

Conectas decided to legally challenge the tax, based on the advice of its lawyers, through a preventive injunction, claiming:

- The unconstitutionality of the tax
- Tax exemption, supported by article 195, paragraph 7, of the Brazilian Constitution, and article 3 of Law No. 8,742/93 (Organic Social Services Law - LOAS).

Nevertheless, Conectas made a provision for litigation costs of R\$39,581.79, according to the balance sheet - "Tax Liabilities", while it awaits the outcome of the legal challenge.

7 Social charges

Social charges refer primarily to vacation provisions.

Associação Direitos Humanos em Rede

Notes to the financial statements for the years ended December 31, 2015 and 2014 In Brazilian reais

8 Donations and advance donations

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

Of the total funds received in 2016, in the amount of R\$10,415,915 (2015 - R\$12,257,613), R\$6,926,057 (2015 - R\$7,438,558) were used this year and R\$3,489,858 (2015 - R\$4,819,055) will be used in 2017 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 of the dissolution of the Entity, its net assets must necessarily be transferred to a non-profit entity or entities with similar purposes classified under the terms of Law No. 9,790/99.

Should the Entity lose the classification established in Law No. 9,790/99, all remaining assets acquired with public funds during the time when the classification was in effect shall be transferred to another entity classified under the terms of Law No. 9,790/99, preferably one that has the same purpose.

10 Administrative and general expenses

	<u>2016</u>	<u>2015</u>
Services provided by companies	(682,023)	(321,421)
Services provided by individuals	(82,395)	(59,143)
Personnel	(975,503)	(1,487,005)
Travel	(49,470)	(58,549)
Projects costs (*)	(4,957,437)	(4,250,780)
Other expenses	(443,146)	(528,083)
Total	<u>(7,189,974)</u>	<u>(6,704,981)</u>

(*) Composed of:

	<u>2016</u>	<u>2015</u>
Justice Program	(1,353,529)	(961,342)
Foreign Policy Program	(1,625,786)	(1,080,781)
Colloquium (South-South Cooperation Program)	(348,633)	(1,106,571)
Connectors Project (South-South Cooperation Program)	(210,123)	(185,343)
Sur Journal (South-South Cooperation Program)	(840,794)	(512,714)
Special Projects (Business and Human Rights)	(578,572)	(404,029)
Total	<u>(4,957,437)</u>	<u>(4,250,780)</u>

Associação Direitos Humanos em Rede

Notes to the financial statements for the years ended December 31, 2015 and 2014 In Brazilian reais

Justice

Combating Torture

Conectas researched how the Judiciary, Public Prosecutor's Office and Public Defender's Office act when complaints of torture are made during custody hearings. In addition, the organization had its work recognized and was elected to the National Committee to Combat and Prevent Torture in June 2016. The representative of Conectas was sworn in as a member of the Committee in December after pressure from several organizations, since the government postponed the instatement of the new members for six months.

The bill that creates the State-Level System to Combat and Prevent Torture is progressing in the São Paulo state legislature and it is being closely followed by Conectas and partners. In 2016, Conectas met with members of Congress, including with the president of the Human Rights Committee of the legislature to request that a public hearing is held to discuss the bill before it is submitted to a full session of the house and that amendments are presented to ensure that the necessary positions are created to guarantee the effectiveness of the system.

Detention Conditions

Conectas has been engaged in an ongoing effort to monitor conditions at the Pedrinhas prison complex and to persuade the national and state governments to improve the conditions there since 2014. In February 2016, Conectas published a report on the two years since the start of its regular visits and how the situation has not improved since they began. The organization also visited the complex in June and September, gathering information that was subsequently sent to the state government and also to the Inter-American Court of Human Rights.

In November, the São Paulo government was sentenced by the 10th Public Law Chamber of the São Paulo State Court to guarantee evening classes for nearly 2,000 female prisoners at the Santana Women's Penitentiary. This sentence was given in response to a public civil action filed by Conectas together with other organizations. The ruling is considered an historic milestone by human rights organizations, since it sets an important precedent in the struggle for access to education in prisons.

Supreme Court and "Privileged Trafficking"

In June, the Supreme Court issued a ruling to not classify "privileged drug trafficking" as a "heinous crime" carrying harsher penalties. Privileged trafficking is when the defendant is a first-time offender, has no criminal record and is not a member of a criminal gang. Conectas led the efforts, drafting and mobilizing partners behind the presentation of an amicus curiae brief that influenced the outcome of the ruling, since two justices changed their vote after the presentation of the brief. The ruling permits, for the first time ever in Brazil, the President of the Republic to pardon people who have been convicted of privileged drug trafficking and it provides for more lenient penalties, such as release pending trial and alternatives to prison sentences in these cases. It is estimated that the court decision could benefit, under current circumstances, tens of thousands of people convicted or charged with this offense.

Associação Direitos Humanos em Rede

Notes to the financial statements for the years ended December 31, 2015 and 2014 In Brazilian reais

Regulation of the Use of Force at Protests

Following the widespread use of less-lethal weapons and violent methods by the military police in the state of São Paulo during the mass protests of 2013, Conectas and partner organizations presented a series of recommendations to the military police. The Public Defender's Office filed a lawsuit to require the police to follow these recommendations. Conectas also presented an amicus curiae brief in this case and, in October 2016, the judge ruled to ban the use of less-lethal weapons by the military police at protests, forcing the São Paulo state government to prepare within 30 days a set of rules to regulate police conduct at protests. However, in response to a request from the São Paulo government, the president of the State Court of Appeals suspended the sentence in November 2016. Conectas and São Paulo's Minha Sampa network organized an online petition that was attached to the case in April 2016 and that by the end of the year had already received more than 34,000 signatures.

In February 2016, Conectas and its partner organizations submitted a representation to the São Paulo State Public Prosecutor's Office requesting measures for the effective external oversight of the police at protests. After initially being denied, the organizations appealed to the Higher Council of the São Paulo State Public Prosecutor's Office, which ruled that the State Attorney General should respond to the demands of the petitioners. Following this decision, a Working Group was set up to discuss the role of the Public Prosecutor's Office at protests.

Judgement of the Carandiru Massacre

In September, the São Paulo State Court of Appeals overturned the conviction of the police officers involved in the Carandiru prison massacre. One of the appellate judges hearing the case was Ivan Sartori, who stated that there was no massacre, only legitimate self-defense. In response to this statement and the judge's postings on social media, Conectas and its partner organizations filed a request for the National Justice Council to remove Sartori from the bench for collusion with human rights violations and for breaking decorum in his statements to the press. The National Justice Council accepted the request in December and is currently investigating the case.

South-South

Sur Journal

In 2016, two issues of the Sur journal were published. Sur 23, published in July, addressed the topic of immigration and human rights and was widely publicized using the new digital communication strategy, the primary goal of which is to reach a wider and more diverse readership. From July to December 2016, Sur 23 received 39,434 views from 11,639 readers. Sur 24, published in December, addressed issues related to women and had record views, with more than 14,148 readers accessing the journal's website more than 37,000 times.

Partnerships

Conectas worked with partners from various different countries in 2016 to promote respect for human rights in countries of the Global South, such as Mexico, Venezuela and Angola. Moreover, Conectas participated in the Awid Forum and was responsible for organizing the debate on the shrinking of the democratic space.

Associação Direitos Humanos em Rede

Notes to the financial statements for the years ended December 31, 2015 and 2014 In Brazilian reais

Activists arrested in Angola

In June 2015, 17 pro-democracy activists were arrested in Angola. Conectas joined forces with several other organizations to pressure the Angolan government for their release. In March 2016, the activists were sentenced to up to 8 years in prison. Conectas joined a number of other organizations to call for the release of the activists and to request justice from the Angolan authorities, and in May – faced with international pressure – they were released on recognizance.

South-South Collaboration (Strategy-Web)

To expand the participation and dialogue between the various civil society groups, Conectas in 2016 launched the Strategy-Web project wherein different civil society groups from countries of the Global South can meet in-person or virtually to collaborate on research projects, to trace common strategies and to plan joint actions on the topic of foreign policy and human rights. In 2016, the organizations staged a meeting in São Paulo and another in Geneva to exchange information and set a joint agenda. In 2016, they started production of a joint publication with cases of political advocacy on foreign policy topics, which will be released in 2017.

Foreign Policy

Monitoring the Brazilian government's foreign policy

Conectas is permanently monitoring the international actions of the Brazilian government. In 2016, Conectas put pressure on the government to ratify the Arms Trade Treaty. Together with several partners, Conectas established an advocacy strategy that included a number of actions with the Brazilian Executive and Legislative, and it participated in events in Geneva on the topic.

The organization also took part in three regular sessions of the UN Human Rights Council and monitored the votes of the Brazilian government on issues such as the human rights situation in various different countries, such as Iran. Furthermore, in preparation for the Brazil's Universal Periodic Review, Conectas and partner organizations drafted eight thematic reports with contributions for the Human Rights Council.

Immigration Law

Conectas has an ongoing advocacy campaign for a more humane and inclusive immigration legislation in Brazil. Advocating in the São Paulo City Council and in the National Congress, Conectas secured some major victories in 2016. In August, the organization launched a petition to approve the new national law. The petition already has more than 9,000 signatures. In December, the Lower House of Congress passed the new law that replaces the Foreigner Act. The bill has now returned to the Senate for a confirmation vote.

Guantanamo

Conectas participated in the event together with more than 70 civil society organizations to pressure the United States government to close Guantanamo on the seven-year anniversary of President Obama's promise to close the prison.

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Business and Human Rights

Doce River

In November 2015, following the collapse of the Fundão iron ore waste dam, 32 million liters of toxic mud containing heavy metals spilled into the Doce River. Since then, Conectas has been working in defense of the victims of the disaster and of everyone whose livelihood depends on the Doce River. As part of this effort, in May the organization denounced in the UN the settlement agreement signed between the government and the companies responsible for the dam without the participation of the victims. The agreement was later suspended by the Superior Court of Justice. In November, Conectas launched the website *Rio Doce Vivo* (Doce River Live), which compiles various documents on the situation of the Doce River.

BRICS Bank

In 2013, the BRICS announced the creation of the New Development Bank (NDB). With a view to influencing this bank, in March 2016 Conectas and partners organized an event to create a common strategy for civil society to influence the policies of this new bank. In April, Conectas joined a number of other organizations to question the president of the bank over the lack of civil society participation. The same complaint was made to the Ministry of Finance and the Ministry of Foreign Relations of Brazil, to pressure the Brazilian government to oppose the approval of investments until the bank has a socio-environmental and human rights policy. A representative of Conectas participated in July in a meeting of the NDB in Shanghai, China, when the bank announced plans to consult with civil society in the BRICS member states.

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>2016</u>	<u>2015</u>
Volunteers	4,163	10,986
Board members	84,604	48,227
Donation – Colloquium rental cost	-	240,000
Total	<u>88,767</u>	<u>299,213</u>

These amounts were recognized in the statement of surplus as “Donated services”, with a corresponding entry in “General and administrative 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.

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12 Financial result

	<u>2016</u>	<u>2015</u>
Income from financial investments	746,603	717,465
Other financial income	402	1,314
Bank expenses	(4,667)	(16,406)
Other financial costs	(200)	(2,746)
	<u><u>742,138</u></u>	<u><u>699,627</u></u>

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 do present a surplus in a given fiscal year, allocate it fully to the maintenance and development of its social objectives, provided all other legal conditions are met.

The Entity meets the legal requirements and is therefore exempt from income tax (based on article 150 of the Brazilian Constitution), as well as social contribution on any 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 revenues referring to the activities of cultural institutions, as defined in article 15 of law 9,532/97, are exempt from this contribution. In accordance with the disclosures required by NBC ITG - 2002 - "Non-profit entities", if the entity were not exempt, the rates in effect would be 9% (social contribution), 7.6% (COFINS), 1.65% (PIS) 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, 2017.

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, 2016 and 2015, 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 sharing plan for officers and employees.

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- (c) Conectas has had D&O liability insurance since February 26, 2016, which covers payment of losses and damages owed to third parties as a result of alleged wrongful acts for which it is responsible, and for which it receives a claim or is notified during the term of the policy or, when contractually agreed, on an earlier date within the retroactive period of the policy, provided that the policyholder had informed the insurer during the term of the policy and that the third party had filed their claim during the term of the policy or during the complementary or supplementary period if this was purchased by the policyholder. The scope of the coverage is global, with the following additional coverage:
- Coverage for legal, administrative or arbitration proceedings, including but not limited to civil, consumer, social security or criminal liability;
 - Costs of investigation conducted by a governmental body;
 - Claims related to tax liability;
 - Employment Practices Liability (EPL);
 - Errors and omissions in the provision of professional services and product failure;
 - Defense costs in the event of fines and penalties;
 - Prosecution costs;
 - Blocked or frozen assets;
 - Claims by an insured person;
 - Claims by the insured or outside organizations;
 - Costs incurred in extradition proceedings;
 - Claims for material and bodily damages;
 - Claims for moral damages;
 - Automatic coverage for new subsidiaries;
 - Coverage for existing proceedings against the company that are refiled, during the term of the policy, against the managers on account of the piercing of the corporate veil;
 - Defense costs for claims related to the granting of personal guarantees (sureties and trustees);

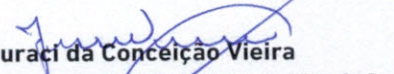
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- Emergency costs;
- Protection of personal reputation (advertising expenses);
- Coverage for disqualification;
- Extraordinary events with regulators;
- Crisis management.

* * *


Juana Magdalena Kweitel
Executive Director


Juraci da Conceição Vieira
Accountant CRC-1-SP160.881-0-0