

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

**ASSOCIAÇÃO DIREITOS HUMANOS EM REDE**

**Independent auditor's report**

**Financial statements  
As at December 31, 2017**



**ASSOCIAÇÃO DIREITOS HUMANOS EM REDE**

**Financial statements  
As at December 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the  
Board Members and Management of  
**Associação Direitos Humanos em Rede**  
São Paulo - SP

### Qualified opinion on the financial statements

We have audited the financial statements of **Associação Direitos Humanos em Rede** ("Conectas"), which comprise the statement of financial position as at December 31, 2017 and the respective statements of activities, comprehensive income, changes in net assets and cash flows for the year then ended, as well as the corresponding notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of **Associação Direitos Humanos em Rede** as at December 31, 2017, its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices.

### Basis for a qualified opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Entity in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other matters

The financial statements for the year ended December 31, 2016, presented for comparison purposes, were audited by other independent auditors, and their report thereon, dated February 17, 2017, was unmodified.

### Responsibilities of management for the financial statements

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



In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Entity's management is responsible for overseeing the Entity's financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

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

São Paulo, April 06, 2018.



BDO RCS Auditores Associados Ltda.  
CRC 2 SP 015165/0-8

Waldemar Namura Junior  
Accountant CRC-1SP154938/O-0

## Associação Direitos Humanos em Rede

Statements of financial position as at December 31, 2017 and 2016  
In Brazilian Reals

Assets	2017	2016	Liabilities and net assets	2017	2016
<b>Current</b>			<b>Current</b>		
Cash and cash equivalents (Note 3)	6,804,134	6,417,995	Accounts payable	90	14,341
Other accounts receivables (Note 4)	79,893	50,832	Tax liabilities (Note 6)	69,540	39,582
	<b>6,884,027</b>	<b>6,468,827</b>	Social charges (Note 7)	339,212	237,114
			Advance donations (Note 8)	3,539,112	3,489,858
<b>Noncurrent</b>				<b>3,947,954</b>	<b>3,780,895</b>
Court deposits	66,505	37,099			
Fixed assets (Note 5)	177,450	206,992			
Intangible assets (Note 5)	29,305	-	<b>Net assets (Note 9)</b>		
	273,260	244,091	Net assets	3,209,333	2,932,023
<b>Total assets</b>	<b>7,157,287</b>	<b>6,712,918</b>	<b>Total liabilities and net assets</b>	<b>7,157,287</b>	<b>6,712,918</b>

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



## Associação Direitos Humanos em Rede

### Statements of activities for the years ended December 31, 2017 and 2016 In Brazilian Reals

	<u>2017</u>	<u>2016</u>
<b>Unrestricted revenues</b>		
Domestic donations (Note 8)	95,172	269,517
Foreign donations (Note 8)	6,715,355	6,656,540
Donated services (Note 11)	152,115	88,767
	<u>6,962,642</u>	<u>7,014,824</u>
<b>Expenses from activities (Note 10)</b>		
Cost of theme areas	(5,224,327)	(4,957,433)
Continued expenses	(2,117,903)	(2,232,541)
Tax expenses	(68,341)	(91,803)
Recovery of expenses	164,860	15,081
Other expenses	(2,048)	(911)
	<u>(7,247,759)</u>	<u>(7,267,607)</u>
<b>(Deficit) before financial income (loss)</b>	<b>(285,117)</b>	<b>(252,783)</b>
<b>Financial income (Note 12)</b>	<u>562,427</u>	<u>742,138</u>
<b>Surplus for the year</b>	<u>277,310</u>	<u>489,355</u>
<b>Other comprehensive income</b>	<u>-</u>	<u>-</u>
<b>Comprehensive income for the year</b>	<u>277,310</u>	<u>489,355</u>

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

## Associação Direitos Humanos em Rede

### Statements of changes in net assets In Brazilian Reais

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	<u>Net assets</u>	<u>Accumulated surplus (deficit)</u>	<u>Total</u>
<b>As at December 31, 2015</b>	2,442,938		<b>2,442,938</b>
Surplus for the year	-	489,355	489,355
Prior year adjustment	-	(270)	(270)
Appropriation of surplus	489,085	(489,085)	-
<b>As at December 31, 2016</b>	<b>2,932,023</b>	-	<b>2,932,023</b>
Surplus for the year	-	277,310	277,310
<b>As at December 31, 2017</b>	<b>2,932,023</b>	<b>277,310</b>	<b>3,209,333</b>

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



## Associação Direitos Humanos em Rede

### Statements of cash flows for the years ended December 31, 2017 and 2016 In Brazilian Reals

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Surplus for the year	277,310	489,355
Depreciation	52,007	31,352
Depreciation write off	(970)	-
Depreciation adjustment	(161)	-
Write-off of fixed assets	3,018	13,186
Prepaid expenses	2,243	-
Prior year adjustment	-	270
	<u>333,447</u>	<u>534,163</u>
<b>Adjusted surplus for the year</b>	<b>333,447</b>	<b>534,163</b>
<b>(Increase) decrease in assets</b>		
Other accounts receivable	(31,306)	(243,362)
Court deposits	(29,406)	(37,099)
<b>Increase (decrease) in liabilities</b>		
Accounts payable	(14,250)	(14,521)
Social charges	102,099	(38,495)
Tax liabilities	29,958	28,530
Advance donations	49,254	(1,329,196)
	<u>439,796</u>	<u>(584,395)</u>
<b>Net cash from operating activities</b>	<b>439,796</b>	<b>(584,395)</b>
<b>Cash flows from investing activities</b>		
Acquisition of fixed assets	(53,657)	(62,506)
	<u>(53,657)</u>	<u>(62,506)</u>
<b>Net cash from investing activities</b>	<b>(53,657)</b>	<b>(62,506)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>386,139</b>	<b>(646,901)</b>
<b>Cash and cash equivalents at end of year</b>	<b>6,804,134</b>	<b>6,417,995</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>6,417,995</b>	<b>7,064,896</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>386,139</b>	<b>(646,901)</b>

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, 2017 and 2016 In Brazilian Reais

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### 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 advisory 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.

#### Strategic planning – Conectas 2020

In 2016, Conectas went through a process to reevaluate its work and establish its Strategic Planning for the years to come.

Then, the staff and Council decided to reorganize the work of Conectas for the next years in three main areas: (i) Institutional violence; (ii) Strengthening of democratic space; and (iii) Development and socio-environmental rights.

The activities in each of these 3 areas are planned by means of initiatives with clear objectives and deadlines, and will be presented in the following section. The main change in Conectas’ Strategic Planning 2020 is that the 3 theme areas will work using the various elements – as required – of the tools developed by Conectas in the last 5 years. These tools include:

#### Act internationally

- Denounce human rights violations in the international mechanisms;
- Study, analyze and formulate recommendations/ proposals/ solutions based on comparative analysis;
- Monitor and influence the foreign policy of Brazil and other countries of the Global South so they contribute to the strengthening of human rights.

#### Partner and collaborate

- Create opportunities for the exchange of experiences and the building of national and international partnerships to strengthen the human rights movement;
- Respond to emergencies and show solidarity with people and groups that have had their rights violated;
- Serve as a radar to enable quick and collective responses to threats.

#### Take legal action

- Identify, analyze and speak out about legislation that affects human rights;
- Conduct strategic litigation on the national and international level, particularly with the Supreme Court of Brazil (STF) and with the Inter-American (OAS) and Universal (UN) Human Rights Systems;
- Monitor decisions of the justice system and conduct researches for awareness raising and advocacy.

#### Advocate and influence

- Influence the public debate in a technical and non-partisan way;
- Propose solutions and pressure the government to implement them;
- Demand transparency from the State.



# Associação Direitos Humanos em Rede

## Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais

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### Communicate and engage

- Convey the message of human rights in an accessible, inspiring, engaging and attractive way;
- Report rigorous and accurate information;
- Construct narratives that promote the advance of human rights and oppose setbacks;
- Express the positions of the organization;
- Build a network for engagement and mobilization.

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 Statement of Financial Position and Statement of Activities 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 theme areas which also interact together and encompass national and international activities.

The area of raising of funds is divided into two action areas: Individual donators and foundations and large donators. The first is mainly focused on online fund raising, by means of Conectas' website and social media, in which campaigns are launched with the exclusive focus of reaching people interested in donate to the work of the organization. The raising team works on the acquisition of donators and in relationship. The second area is mainly focused on the preparation of proposals for Brazilian and international foundations, international funds and embassies, for receiving funds and maintaining the relationship with financiers by means of periodic reports.

Communication is the area of Conectas responsible for establishing a dialog between the organization and society, informing the press on priority themes of the human rights agenda, offering a contrasting view to contribute to the debates, producing contents and information with journalistic rigor and engaging the public in our priority causes. Answering to management, the area is formed by a coordinator, two journalists, an expert in events and another expert in digital marketing. In addition to taking care of the image and reputation of the organization and rendering accounts to society regarding our work, the communication area is responsible for establishing the strategies for disclosure of our initiatives, meeting and directing the demands of the press, and updating the organization's channels and social networks.

## 2 Presentation of financial statements and description of main significant accounting practices

The financial statements have been prepared and are being presented in accordance with Brazilian accounting practices applicable to non-profit entities.

In accordance with ITG Standard 2002, amended by ITG 2002 (R1 - 2015), approved by CFC Resolution 1.409/12, Federal Decree 7.237 of July 20, 2010 and Law 11.638/07 and amendments, 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 fixed assets, the valuation of financial assets at fair value, necessary provisions for liabilities and other evaluations. Actual results may differ from these estimates. Conectas reviews these estimates and assumptions at least upon the preparation of financial statements.

These financial statements shall be submitted to the approval of the Entity's Board of Directors in April 2018.



# Associação Direitos Humanos em Rede

## Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais

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### 2.1. Functional and Reporting Currency

The financial statements are being presented in Brazilian Reais, which is the functional and reporting currency of the Entity.

### 2.2 Cash and cash equivalents

Cash and cash equivalents include funds in domestic currency and financial investments, with daily liquidity with 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 into the following categories: measured at fair value through income (loss) **(a)** and loans and receivables **(b)**. The classification depends on the purpose for which the financial assets were acquired. Management classifies its financial assets upon initial recognition.

Marketable securities are classified as "Trading securities". These include securities acquired for the purpose of frequent and active trading, accounted for at market value with the respective realized and unrealized losses and gains directly recognized in income (loss).

#### **(a) Measured at fair value through income (loss) (surplus/deficit)**

Financial assets measured at fair value through income are financial assets held for active and frequent trading. Assets of this category are classified as current. Gains or losses on changes in fair value of financial instruments stated at fair value through surplus (deficit) are presented in the statement of activities as "Financial revenues" in the period they are reported, unless the instrument has been entered into in connection with another transaction. In this case, fluctuations are recognized in the same statement of activities caption affected by the transaction.

#### **(b) Loans and receivables**

These include loans granted and receivables that are non-derivative financial assets with fixed or calculable payments, but not quoted on an active market. They are recorded as current assets, except those with maturity higher than 12 months after the balance sheet date. The Entity's loans and receivables comprise other accounts receivable. Loans and receivables are stated at amortized cost, using the effective interest rate method, if applicable.

### 2.4 Fixed assets

Fixed asset items are stated at historical acquisition cost. Items received through donation are recognized at the amount declared by the donor or at the taken amount of one Brazilian real (R\$1), with a corresponding entry to revenues 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.



# **Associação Direitos Humanos em Rede**

## **Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais**

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### **(a) Impairment of non-financial assets**

Non-financial assets are periodically reviewed to verify their recoverable values. 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 between the fair value less sales costs and the value in use.

### **2.5 Accounts payable**

Trade accounts payable are obligations payable for assets or services acquired in the ordinary course of activities, being recognized at the value of the corresponding invoice or contract. These payables are classified as current liabilities if payment is due within one year or less. Otherwise, accounts payable are presented as noncurrent 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 Tax (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) Social Security Contribution (INSS) - 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) Severance Pay 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. The liabilities are stated at known or estimated amounts, plus the related charges and monetary changes incurred through the balance sheet date, when applicable.

### **2.8 Net Assets**

Net assets include 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 Results of operations**

Revenues from donations and contributions are recorded upon receipt. Other revenues and expenses are recognized on the accrual basis.

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



## Associação Direitos Humanos em Rede

### Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais

#### 3 Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Checking accounts	370,268	8,231
Financial investments (*)	<u>6,433,866</u>	<u>6,409,764</u>
	<u><b>6,804,134</b></u>	<u><b>6,417,995</b></u>

(\*) These are represented by Bank Certificate of Deposits (CDBs), remunerated at fixed rates at 95.5% of the Interbank Deposit Rate (CDI) annually, and by repurchase agreements, with daily liquidity and used by the Entity for management of its short-term commitments.

#### 4 Other accounts receivable

As at December 31, 2017, these mainly refer to advance payments of rent and advances to employees.

#### 5 Fixed and Intangible assets

	<u>2017</u>		<u>2016</u>		
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Net</u>	<u>Annual depreciation rates - %</u>
<b>Movables</b>					
Furniture and fixtures	151,155	(61,682)	89,473	93,281	10
IT equipment	193,866	(114,959)	78,907	106,768	20
Telecommunications equipment	15,061	(6,110)	8,951	6,707	10
Electronic devices	590	(472)	118	236	20
	<u>360,6721</u>	<u>(183,223)</u>	<u>177,450</u>	<u>206,992</u>	
<b>Intangible assets</b>					
Software	<u>40,294</u>	<u>(10,988)</u>	<u>29,305</u>	<u>-</u>	20
	<u><b>400,966</b></u>	<u><b>(194,211)</b></u>	<u><b>206,755</b></u>	<u><b>206,992</b></u>	

The changes in fixed and intangible assets were as follows:

	<u>2017</u>	<u>2016</u>
<b>At beginning of year</b>	<b>206.992</b>	<b>189.024</b>
Acquisition of assets	53.657	62.506
Write-off of assets	(3.018)	(13.186)
Write-off of fixed assets		
Depreciation	<u>(50.876)</u>	<u>(31.352)</u>
<b>At end of year</b>	<u><b>206.755</b></u>	<u><b>206.992</b></u>

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 assets in accordance with the accounting practices set forth in CPC 27 – Fixed assets.



# Associação Direitos Humanos em Rede

## Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais

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### 6 Tax liabilities

Decree No. 8.426/2015, which came into force on July 1, 2015, determines the levy of PIS and COFINS for legal entities subject to non-cumulative taxation 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. Therefore, since they do not have any specific tax treatment, tax-exempt legal entities 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/PASEP) and 4% (COFINS). Considering that according to article 13 of Provisional Executive Order No. 2.158-35/01, tax-exempt legal entities calculate PIS/PASEP 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 immunity, supported by article 195, paragraph 7, of the Brazilian Constitution, and article 3 of Law No. 8.742/93 (Social Services Organic Law - LOAS).

Nevertheless, Conectas made a provision for litigation costs of R\$ 69,540 (R\$ 39,582 – 2016), according to the statements of financial position - "Tax Liabilities" for the proper payment in court, while it awaits the outcome of the legal challenge.

### 7 Social charges

These mainly refer to the provision for vacation pay.

### 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 2017, in the amount of R\$ 10,501,754 (2016 - R\$ 10,415,915), R\$ 6,962,642 (2016 - R\$ 6,926,057) were used this year and R\$ 3,539,112 (2016 - R\$ 3,489,858) will be used in 2017 to continue the projects.

### 9 Net assets

Net assets are presented at adjusted amounts and comprise initial net assets, adjusted by surplus and deficit.

In the event the Entity is terminated, its assets will be obligatorily destined for a non-profit entity or entities with similar purposes, qualified under the terms of Law No. 9.790/99.

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



## Associação Direitos Humanos em Rede

### Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais

#### 10 Expenses from activities

	2017	2016
Services rendered by legal entities	(643,311)	(682,023)
Services rendered by natural person	(20,809)	(82,395)
Personnel expenses	(1,054,563)	(975,503)
Travel expenses	(33,965)	(49,470)
Project costs (*)	(5,224,327)	(4,957,437)
Other expenses	(270,784)	(520,779)
<b>Total</b>	<b>(7,247,759)</b>	<b>(7,267,607)</b>

It is important to highlight that as from 2017, by means of its strategic planning (Note 1 – Strategic Planning – Conectas 2020), Conectas determined the division of its activities into Theme Areas – these also divided into Initiatives\* - no longer into projects.

Theme Areas	2017
Institutional violence	1,449,298
Strengthening of democratic space	2,654,590
Development and socio-environmental rights	1,120,439
<b>Total</b>	<b>5,224,327</b>

represented by:

Theme Area	Initiative	
Institutional violence	People deprived of liberty	554,397
	Oversight of police activity	376,384
	Drugs	257,469
	Protests	261,048
Strengthening of democratic space	Secularism	49,791
	Civil society in decision-making spaces (CNDH)	267,774
	Freedom of action of civil society	49,813
	Colloquium	817,301
	Strategy Web	212,316
	Sur 25 and 26	692,416
	Universal Periodic Review - Brazil	268,072
Migration	297,107	
Development and socio-environmental rights	Financing for development	283,118
	Access to justice	207,423
	Weapons trade	254,031
	Corporate responsibility	177,782
	Investment agreements	13,900
	Climate litigation	184,185
<b>Total</b>		<b>5,224,327</b>



# Associação Direitos Humanos em Rede

**Notes to the financial statements  
for the years ended December 31, 2017 and 2016  
In Brazilian Reais**

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## DESCRIPTION OF THE PROGRAMS

### Institutional Violence Program

#### People deprived of liberty

As part of this work to guarantee the rights of people deprived of liberty and the democratic operation of the institutions of justice and of the prison system, Conectas represents the civil society in the National Committee to Prevent and Combat Torture (CNPCT) and in the Council of the Community of the City of São Paulo, in which Conectas visits incarceration facilities and also pressures the government to guarantee fundamental rights. As part of the work of visiting incarceration facilities, Conectas visited the Penitentiary Complex Anísio Jobim, in Manaus (state of Amazonas) a few days after the riot that left 56 casualties and which triggered a violence crisis in penitentiaries of other states.

In 2017, the team of Conectas published the study Armored Torture, which investigated the action of the public prosecutor's office, public defender's office and of the magistrature in relation to denunciations of torture made during custody hearings in the city of São Paulo. Based on this research, the omission of public agents was identified and quantified and several recommendations were made to each agency. To fight torture, Conectas also continued in 2017 its permanent work with partners of advocacy, lobbying for the approval of state laws establishing mechanisms to prevent and fight torture in the states of São Paulo and Maranhão.

In 2017, Conectas and its partners requested the Inter-American Commission on Human Rights (OAS) to hold public hearings on the prison system and also on violations on the socio-educational system. The hearings occurred in March in Washington, United States, and civil society entities contested the data presented by the Brazilian government's representatives. In a side event, Conectas also presented the data of the report Armored Torture.

The international actions of Conectas in the case of Pedrinhas Penitentiary, in Maranhão, also led the Inter-American Court to question the Brazilian government on the situation of the prisons in the country. Based on the analysis of four cases on different penitentiaries in the country, the Court understood that those were not isolated cases and that the crisis in the prison system is structural, calling representatives of the victims of the four cases and of the Brazilian government for a public hearing in São José, Costa Rica, occurred in May.

To broaden knowledge on the situation of the Brazilian prison system, Conectas systematized the information on INFOPEN 2014 in a digital platform of easy access for researchers, students and the general public. In 2017, Conectas updated the website with the information of INFOPEN 2016. The concluded website will be launched in 2018.

#### Right to Protest

Conectas constantly works against any initiatives that aim to restrict the right to protest. In this area, Conectas uses strategic litigation to exert influence on administrative and judicial decisions. As part of this job, Conectas acts in several cases in the STF on the right to protest in order to influence the debate and decisions.

In addition, Conectas works for the Public Prosecutor's Office to oversight the police action during protests. As part of this action, Conectas filed a representation to the Public Prosecutor's Office of the state of São Paulo (MPSP) on the action of MPSP in protests. The representation was suspended in São Paulo, so in 2017, Conectas filed a representation with the Public Prosecutor's National Council (CNMP) for it to demand an answer from the MPSP. The representation has not yet been judged.



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### Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais

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Conectas has also participated in action in the CNMP discussing which agencies would have the competence to judge police abuse occurring during protests. The Federal Prosecutor's Office on Citizen Rights (PFDC) started an intern process to investigate police abuses in the protests occurred in São Paulo in 2013, characterized as violations of human rights. The MPSP then filed an action in CNMP for considering that the investigation of police abuses should be conducted by the state prosecutor's office, given that the police is a state body. In 2017, Conectas maintained its claim in CNMP defending that violations to human rights, such as police violence against demonstrators, are also within the competence of the federal prosecutor's office.

#### Oversight of police activity

In 2009, due to insufficient investigations from the MPSP in the case of five young men murdered in 2006 in Parque Bristol, in the outskirts of São Paulo, Conectas informed on the negligence of Brazilian government to the Inter-American Commission on Human Rights (CIDH). These murders were part of a series of summary executions known as the Crimes of May.

With the support of Conectas, members of the victims' families, filed a motion with the Attorney's General Office (PGR) claiming the case to be reopened in federal level. In 2016, PGR requested the Federal Court of Appeals (STJ) to federalize the case and, in 2017, Conectas presented an *amicus curiae* to the court supporting the federalization, maintaining during the whole year its advocacy for the approval of the PGR request. Conectas also continued to bring its influence to bear on CIDH for it to recommend Brazil the federalization and reopening of the case. A hearing on Brazil's police action was requested in December 2017 and is schedule for March 2018 in CIDH.

#### Drug Law

The so-called "War on Drugs" is responsible for an astronomic scale of human rights violations. Conectas has been denouncing for years the limitations and impacts of the 2006 Drug Law, specially in criminal justice. Together with a broad network of civil society organizations, the entity conducts researches, advocates to prevent further setbacks, proposes progress towards decriminalizing the use or regulation of the production, trade and consumption of certain substances, as well as using international mechanisms to make denunciations and instigate constant public debates with different sectors of society.

The violence of the drug law is clearly seen on actions such as the one conducted by São Paulo's Police in the so-called "Cracolândia" (Crackland) in downtown. In response to this violent actions, Conectas and its partners submitted an urgent appeal to four UN special rapporteurs – on health, arbitrary detention, housing and torture – asking them to request clarifications from Brazil on the action responsible for violations of human rights.

Conectas also submitted a request – agreed to – for the CIDH to promote a new hearing on the violations of human rights resulting from the current Brazilian policy on drugs. The hearing conducted by CIDH took place in Buenos Aires, with the presence of commissioners and representatives of the Brazilian State.

In addition to bring the issue to international agencies to pressure for changes in Brazilian policy, Conectas has also engaged in initiatives from other civil society organizations such as the International Drug Policy Consortium, which is the largest international network of organizations working with the issue. Also in October, a representative from Conectas presented in Atlanta, in a conference on reformulation of drug laws, the actions of strategic litigation that Conectas perform to prevent setbacks and avoid further violations to human rights resulting from the drug law.



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### Strengthening of Democratic Space Program

#### Freedom of action of civil society

Conectas permanently acts against laws that restrict the work of civil society, including the antiterrorism law, of which Conectas and other civil society entities were able to bar important parts to protect civil society. In 2017, conservative representatives and senators submitted projects to extend the enforcement of the law approved in 2016. Conectas devoted constant attention to map these projects and advocate to the legislative power to bar these projects.

In addition to directly working on the antiterrorism law in Brazil, Conectas acts internationally in regard to the pressure of GAFI (FATF - Financial Action Task Force) to implement recommendations that end up curbing civil society actions. GAFI is an international organization in which Brazil participates. In 2017, Conectas worked along with the International Consortium on the Closing of Civil Space (iCon) and was part of the group responsible for the coalition of NGOs on GAFI to include civil society in the debates on fighting money laundering and terrorism financing without curbing the actions of civil society.

#### Civil society in decision-making spaces

In September 2016, Brazil was elected by UN to take a chair in the Human Rights Council. In 2017, Conectas pressured Brazil to vote for national and international rules on human rights and drew attention from the media for Brazil's international actions.

Conectas also works with partners to exert influence on the external policy of other countries. Strategy-web is a project with an innovative methodology to strengthen entities of civil society working with external policy and human rights. Conectas has created a space for dialogue and exchange of good practices with the following partners: Forum Asia (Thailand); Centre for Human Rights of University of Pretoria (South Africa); Mexican Commission for the Defense and Promotion of Human Rights (Mexico); KontraS (Indonesia); Commonwealth Human Rights Initiative (India) and Partnership for Justice (Nigeria). In 2017, the group had a meeting in São Paulo to discuss strategies and design a research to be jointly launched in 2018.

In May, Brazil went through the third cycle of the Universal Periodic Review at UN. Conectas worked to engage the Brazilian civil society to bring grounded information to the international community. With this purpose, Conectas worked with partners to present eight reports on the situation of human rights in Brazil to the UN.

Conectas also promoted meetings with journalists and students to inform them on the UPR process, and launched a website with information accessible to the Brazilian society on the UPR operation and its effects on Brazil. Since May, Conectas has worked along with its partners to pressure the Brazilian government to accept the recommendations made during the UPR.

#### Migration

Conectas also acts to turn effective the rights of immigrants in Brazil. In April, the Senate approved a bill that revokes the Foreigner Act, established during dictatorship, and creates the new Immigration Law. Conectas has been working since 2013 for the approval of the new law, which abandons the view of immigration as a matter of national security, starting to treat immigrants as an individual vested of rights. Among other changes, the new law reduces bureaucracy for obtaining documents, ends the prohibition of participation in protests and guarantees the due process for cases of deportation.



## **Associação Direitos Humanos em Rede**

### **Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais**

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Conectas had a central role in the creation of the coalition that led to the approval of the new law. During the discussions held in the Senate, the senators used the document prepared by Conectas, "Myths and Truths" to advocate for the law. Conectas is aware that a law reform on human rights requires constant monitoring and social pressure. Despite the law being considered a significant advance, the decree signed to regulate it poses a series of contradictions with regard to the approved law and Conectas has already acted with partners to denounce and reverse these setbacks.

#### Sur Journal

In 2017, Conectas launched two editions of the Sur Journal. In July, a special edition was launched on natural resources and human rights gathering studies on significant cases that show the exploitation of natural resources as one of the main causes of several violations of human resources. Sur 25 also brought the profile of three women who fight for human and environmental rights inspired by their religious beliefs and originated from affected communities; part of the comic book "La Lucha": "The History of Lucha Castro and Human Rights in Mexico", conceived by the Organization Front Line Defenders; essays from activists from Mexico, Brazil and France, and an article from Philip Alston, among others. The photographs of Khaled Hasan (Bangladesh) and Jashim Salam (Bangladesh) were presented in the journal and also exhibit in the city of São Paulo.

In December, Conectas launched the 26<sup>th</sup> edition of Sur journal, named "Reclaiming Civic Space", in which activists from all over the world, particularly from the Southern Hemisphere, wrote on three main axes: causes of repression to civil society, strategies used to answer to repression, and financing of activists in such context. With the purpose of encouraging activists to write articles and promote debate, Conectas organized in October a writing workshop in São Paulo for 12 activists who wrote to Sur. The activities of the workshop occurred during the International Human Rights Colloquium.

#### International Human Rights Colloquium

Along with the Forum Asia (Thailand); Centre for Human Rights of University of Pretoria (South Africa) and DeJusticia (Colombia), Conectas organized between October 1 and 6, 2017, the 15<sup>th</sup> International Human Rights Colloquium in São Paulo. With the theme "Human Rights Today: Crisis or Transition?" the Colloquium invited activists and members of non-governmental organization for collective reflection on the role of human rights movements in the current scenario in which rights and freedom have been seriously threatened. A total of 182 people participated in the Colloquium.

### **Development and Socio-Environmental Rights Program**

#### Corporate responsibility

In accordance with the UN Guiding Principles on Business and Human Rights, Conectas permanently works to put into practice the international principles and guidelines in Brazil, by means of raising awareness of the government, civil society, and business community on the importance of the companies' compliance with the international standards on human rights. Additionally, it acts on the Brazilian government advocating for the inspection and implementation of the international recommendations of the UN Work Group for Businesses and Human Rights, among others.

In 2017, Conectas started a project for monitoring the implementation of the 28 recommendations of UN Work Group by the Brazilian government and businesses. The monitoring occurs in 4 areas: (i) government public policies; (ii) corporate practices and policies; (iii) regulatory and normative legislation; and (iv) concrete cases of violations to human rights by companies, according to the ventures mentioned by the UN Work Group in its report after their visit to Brazil (Belo Monte, Rio Doce/Mariana, Suape, Vila Autódromo/Olimpíadas, etc.).



## **Associação Direitos Humanos em Rede**

### **Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reals**

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The organization has also taken to the UN Annual Forum on Business and Human Rights discussions on access to justice, responsibility of public and private banks for human rights, and on the impacts of human rights in the context of investment policies. Conectas has also engaged international mechanisms against weakening of the policy on combat of slave labor in Brazil.

#### Financing for Development

Development financing agencies are important for the development and should consider socio-environmental factors in the approval of projects that often have significant impact and do not follow international rules previously established or other human rights. Accordingly, Conectas works with international organizations to include sustainable development guarantees in the financing strategy of the New Development Bank of BRICS. Conectas was present during the second meeting of the bank to pressure for firm commitments and also started a partnership with Jindao University, in India, to develop a concept of sustainable infrastructure, a project that originated a new publication on the theme.

#### Weapons Trade

Since 2016, Conectas is part of the Coalition for Weapons' Responsible Exports and in 2017, it maintained permanent advocacy for the ratification of the Treaty of Arms Trade by the Brazilian Congress. In addition to local work, Conectas also engaged international mechanisms and coalitions. By the end of 2017, the Brazilian House of Representatives approved the ratification of the treaty that followed to the Senate and was approved in 2018, only awaiting the filing of the ratification instrument.

#### Access to Justice

Conectas works in partnership with local organizations to bring to light the situation of communities affected by the violation of socio-environmental rights by companies and to seek the accountability of those companies. Among the several cases in which Conectas work are the collapse of the Fundão dam in Rio Doce affecting several states; the construction of the Belo Monte hydropower plant in Pará; exploitation of slave labor in coffee farms in Minas Gerais, and the building of Suape Port in Pernambuco. Conectas visited the places affected by these ventures in 2017, gathered information on the situation and informed international organizations, such as the UN Work Group on Business and Human Rights and the National Contact Point of OECD Guidelines, seeking accountability of companies and repair to ones affected.

#### Climate Litigation

Legal claims are a tool increasingly used by entities of protection of the environment and human rights to compel states and companies to assume their responsibilities for the reduction of climate changes. In partnerships with leading organizations of the area, Conectas participates in a project that seeks possibilities and alternatives for litigation.



## Associação Direitos Humanos em Rede

### Notes to the financial statements for the years ended December 31, 2017 and 2016 In Brazilian Reais

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#### 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>2017</u>	<u>2016</u>
Volunteers	104,281	4,163
Donated services (Board Members)	<u>47,834</u>	<u>84,604</u>
<b>Total</b>	<b><u>152,115</u></b>	<b><u>88,767</u></b>

These amounts were recognized in the statement of activities as "Donated services", with a corresponding entry to "Expenses from activities".

The fair value of the voluntary work described above is stated according to Interpretation ITG-2002 (R1 – 2015), resulting from CFC Resolution No.1409/12. It was established according to the value the Entity would be willing to pay to a third party to render the same services rendered by the volunteers. Accordingly, management made its best fair value estimate based on the information given 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.

As for donated services, the Entity understands that the work performed by the Board Members is not voluntary work, considering the legal obligations involved in this non-remunerated position. Therefore, this work is provided for free and for this reason allocated into donated services. The calculation basis of the work hour value was defined as the cost of the Executive Director's salary, the highest salary paid by the Entity.

#### 12 Financial income (loss)

	<u>2017</u>	<u>2016</u>
Return on financial investments	567,679	746,603
Other financial revenues	538	402
Bank expenses	(5,491)	(4,667)
Other financial expenses	<u>(299)</u>	<u>(200)</u>
	<b><u>562,427</u></b>	<b><u>742,138</u></b>

#### 13 Income tax immunity and exemption from Social and Social Security contributions

It is considered a non-profit entity, an entity that does not present surplus in its accounts or if they do present it in a certain year, that it is fully destined to the maintenance and development of the Entity's purposes, as long as the other legal conditions are met.



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The Entity meets the requirements of the legislation and it is immune from Income Tax (IRPJ) (based on article 150 of the Brazilian Constitution) and exempt from Social Contribution Tax (CSLL) and the Contribution for Social Security Funding (COFINS) according to Provisional Executive Order (MP) No. 2.158-35, article 14, item X. This MP established that for taxable events occurred as from February 1, 1999, the revenues related to own activities of cultural entities, which is referred to in article 15 of Law No. 9.532/97, are exempt from this contribution. According to the disclosures required by NBC ITG 2002 "Non-profit Entities", if the entity were not exempt, the effective collection rates would be 9% (CSLL) and 7.6% (COFINS), 1.65% PIS on billings, 15% (IRPJ). Conectas has the certificate of Organization Affected with a Public Interest (OSCIP), as set forth by a Resolution of the Federal Department of Justice, published in the Brazilian Federal Register on November 7, 2003 and renovated up to September 30, 2018.

#### **14 Legal claims**

There is no record of relevant legal or out-of-court claims against the Entity, with likelihood of loss considered probable or possible.

#### **15 Other information**

- (a) In the years ended December 31, 2017 and 2016, 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.
- (c) Conectas has 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;

## Associação Direitos Humanos em Rede

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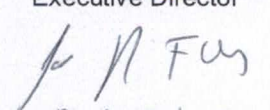
- Prosecution costs;
- Blocked and frozen assets;
- Claims by an insured person;
- Claims by the insured or outside organizations;
- Costs incurred in extradition proceedings;
- Claims for material and bodily damages;
- Claims for moral damages;
- Automatic coverage for new subsidiaries;
- Coverage for existing proceedings against the entity 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);
- Emergency costs;
- Protection of personal reputation (advertising expenses);
- Coverage for disqualification;
- Extraordinary events with regulators;
- Crisis management.

#### 16 Subsequent events

We did not observe any subsequent event between the closing date and the issue of this document that was worth mentioning.

  
**Juana Magdalena Kweitel**  
Executive Director

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

  
DEPUTY DIRECTOR  
MARCOS R. FUCHS