

(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, 2018**

ASSOCIAÇÃO DIREITOS HUMANOS EM REDE

**Financial statements
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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

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, 2018 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, 2018, its financial performance and its cash flows for the year then ended in accordance with Brazilian accounting practices for small and medium-sized enterprises - Technical Pronouncement CPC SME - "Accounting for small and medium-sized enterprises" and in accordance with ITG 2002 - Non-profit entities approved by Resolution 1,409 / 12 of the Federal Accounting Council.

Basis for opinion on the financial statements

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.

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 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 based on 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 01, 2019.



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


Carlos Aragaki
Contador CRC 1 SP 132.091/O-1

Associação Direitos Humanos em Rede
Statements of financial position at December 31, 2018 and 2017
In Brazilian Reals

		Liabilities and net assets	
Assets	Notes	2018	2017
Current			
Cash and cash equivalents	3	10,561,440	6,804,134
Other accounts receivables	4	51,541	79,893
		10,612,981	6,884,027
Noncurrent			
Court deposits	6	78,638	66,505
Fixed assets	5	153,408	177,450
Intangible assets	5	29,569	29,305
		261,615	273,260
Total assets		10,874,596	7,157,287
Current			
Accounts payable	6	2,143	90
Tax liabilities	7	-	69,540
Social charges	8	284,307	339,212
Advance donations		6,518,630	3,539,112
		6,805,080	3,947,954
Noncurrent			
Tax liabilities	14	82,212	-
		82,212	-
Net assets			
Net assets	9	3,987,304	3,209,333
		10,874,596	7,157,287
Total liabilities and net assets		10,874,596	7,157,287

The accompanying notes are an integral part of this quarterly information.

Associação Direitos Humanos em Rede
Statements of activities
For the years ended December 31, 2018 and 2017
In Brazilian Reais



	Note	2018	2017
Unrestricted revenues			
Domestic donations	8	459,591	95,172
Foreign donations	8	6,403,027	6,715,355
Donated services	11	184,844	152,115
		7,047,462	6,962,642
Expenses from activities	10		
Cost of theme areas		(4,891,552)	(5,224,327)
Continued expenses		(2,017,558)	(2,117,903)
Tax expenses		(31,837)	(68,341)
Recovery of expenses		190,688	164,860
Other expenses		(685)	(2,048)
		(6,750,944)	(7,247,759)
(Deficit/Superavit) before financial income (loss)		296,518	(285,117)
Financial income	12	481,453	562,427
Surplus for the year		777,971	277,310
Other comprehensive income		-	-
Comprehensive income for the year		777,971	277,310

The accompanying notes are an integral part of this quarterly information.

Associação Direitos Humanos em Rede
Statements of changes in net assets
In Brazilian Reais



	Net assets	Accumulated surplus	Total
As at December 31, 2016	2,932,023	-	2,932,023
Surplus for the year	-	277,310	277,310
As at December 31, 2017	2,932,023	277,310	3,209,333
Surplus incorporation	277,310	(277,310)	-
Surplus for the year	-	777,971	777,971
As at December 31, 2018	3,209,333	777,971	3,987,304

Associação Direitos Humanos em Rede
Statements of cash flows
For the years ended December 31, 2018 and 2017
In Brazilian Reais



	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Surplus for the year	777,971	277,310
Depreciation	55,519	52,007
Depreciation write off	(2,167)	(970)
Depreciation adjustment	-	(161)
Write-off of fixed assets	3,002	3,018
Prepaid expenses	457	2,243
	<u>834,332</u>	<u>333,447</u>
Adjusted surplus for the year		
Increase/(decrease) in assets		
Other accounts receivable	27,894	(31,306)
Court deposits	(12,133)	(29,406)
Increase (decrease) in liabilities		
Accounts payable	2,053	(14,250)
Social charges	(54,906)	102,099
Tax liabilities	12,672	29,958
Advance donations	2,979,519	49,254
	<u>3,789,431</u>	<u>439,796</u>
Net cash from operating activities		
Cash flows from investing activities		
Acquisition of fixed assets	(32,125)	(53,657)
	<u>(32,125)</u>	<u>(53,657)</u>
Net cash from investing activities		
	<u>3,757,306</u>	<u>386,139</u>
Net increase in cash and cash equivalents		
	<u>10,561,440</u>	<u>6,804,134</u>
Cash and cash equivalents at end of year		
	<u>6,804,134</u>	<u>6,417,995</u>
Cash and cash equivalents at beginning of year		
	<u>3,757,306</u>	<u>386,139</u>
Net increase in cash and cash equivalents		

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.

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 donors and foundations and large donors. 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 donors 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.

The institutional development area has three main areas of responsibility: Governance, People and Planning & Evaluation. Regarding Governance, the area supports the director in all issues related to the Board, including, for instance, the creation and implementation of governance policies and best practices. Regarding Planning & Evaluation, the team is responsible for developing the annual operational plan and makes sure it is monitored year round for the Management Team. Finally, regarding People, the team helps and support the development of any strategic element related to the organization's team – including diversity, feedback and well-being. In addition, the ID team works together with administrative and financial team in developing both IT and physical security protocol.

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 accounting practices adopted in Brazil for small and medium-sized companies - Technical Pronouncement CPC SME - "Accounting for small and medium-sized enterprises" and in accordance with ITG 2002 - Non-profit entities approved by Federal Council Resolution 1,409 / 12 Accounting.

The fair value of voluntary and donated services is also recorded and is presented in explanatory 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, 2019.

Functional and Reporting Currency

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

Description of main significant accounting practices

2.1. 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.

2.2. 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.

2.3 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 consider the useful lives of the assets, as stated in Note 5.

(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.

2.4. 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.

2.5. 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.

2.6. 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.

2.7. 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.

2.8. 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".

3 Cash and cash equivalents

	<u>2018</u>	<u>2017</u>
Checking accounts	26,040	370,268
Financial investments (*)	<u>10,535,400</u>	<u>6,433,866</u>
	<u>10,561,440</u>	<u>6,804,134</u>

(*) These are represented by Bank Certificate of Deposits (CDBs), remunerated at fixed rates at 94.45% 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, 2018, these mainly refer to advance payments of rent, advances to employees, D&O liability and patrimonial insurances.

5. Fixed and Intangible assets

	2018			2017		Annual Depreciation Amortization rates (%)
	Cost	Accumulated Depreciation Amortization	Net	Net		
Movables						
Furniture and fixtures	151,793	(76,284)	75,509	89,473		10
IT equipment	206,909	(143,228)	63,681	78,907		20
Telecommunications equipment	22,328	(8,110)	14,218	8,951		10
Electronic devices	590	(590)	-	118		20
	<u>381,620</u>	<u>(228,212)</u>	<u>153,408</u>	<u>177,450</u>		
Intangible assets						
Software	48,468	(18,900)	29,568	29,305		20
	<u>430,088</u>	<u>(247,112)</u>	<u>182,976</u>	<u>206,755</u>		

The changes in fixed and intangible assets were as follows:

	2018	2017
At beginning of year	<u>206,755</u>	<u>206.992</u>
Acquisition of assets	32,125	53.657
Write-off of assets	(3,002)	(3.018)
Depreciation/Amortization	(52,902)	(50.876)
At end of year	<u>182,976</u>	<u>206.755</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.

6 Tax liabilities

From 2018, Conectas understood that because it is a tax liability judicially challenged (Note 14) and deposited in court, we must reallocate the amount to Non-Current Liabilities.

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 2018, in the amount of R\$ 13,566,092 (2017 - R\$ 10,501,754), R\$ 7,047,462 (2017 - R\$ 6,962,642) were used this year and R\$ 6,518,630 (2017 - R\$ 3,539,112) will be used in 2019 to continue the projects.

Associação Direitos Humanos em Rede
Notes to the financial statements
For the years ended December 31, 2018 and 2017
In Brazilian Reais



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.

10. Expenses from activities

	<u>2018</u>	<u>2017</u>
Services rendered by legal entities	(609,672)	(643,311)
Services rendered by natural person	(100,971)	(20,809)
Personnel expenses	(973,804)	(1,054,563)
Travel expenses	(41,410)	(33,965)
Project costs (*)	(4,891,552)	(5,224,327)
Other expenses	(133,535)	(270,784)
Total	<u>(6,750,944)</u>	<u>(7,247,759)</u>

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.

Áreas Temáticas	<u>2018</u>
Institutional Violence Program	(1.658.356)
Strengthening Democratic Space Program	(1.715.580)
Development and Socioenvironmental Rights Program	(1.517.616)
Total	<u>(4.891.552)</u>

represented by:

Área Temática	Iniciativa*	
Institutional Violence	People deprived of liberty	(680.916)
	Oversight of Police Activities	(339.979)
	Drug Policy	(350.442)
	Right to Protest	(287.019)
Strengthening Democratic Space	Civil Society in Decision-making Spaces	(389.575)
	Laws that Restrict Civil Society	(224.771)
	Sur Journal	(715.570)
	Migration	(385.664)
Development and Socioenvironme ntal Rights	Financing of Development	(444.976)
	Access to Justice	(245.807)
	Arms Trade	(281.610)
	Corporate Responsibility	(310.288)
	Climate Litigation	(234.935)
Total		(4.891.552)

DESCRIPTION OF THE PROGRAMS

Institutional Violence Program

Persons Deprived of Liberty

As part of the effort to ensure the rights of people deprived of liberty and the proper functioning of democratic court and prison systems, Conectas is a civil society representative on the National Committee to Prevent and Combat Torture (CNPCT in Portuguese). Through the committee, Conectas consistently works to combat and prevent torture in the Brazilian prison system. In February 2018, Conectas inspected prisons in Roraima, Amazonas, and Rio Grande do Norte together with the CNPCT.

Conectas also makes periodic visits to the Pedrinhas prison complex in the State of Maranhão and sends reports to the Inter-American Court of Human Rights. In April 2018, the Court ruled that the Pedrinhas prison complex must be reformed in order to guarantee basic hygiene in compliance with international regulations. In November, Conectas and its partners held a seminar on the need for a state-level mechanism to protect against torture in the State of Maranhão. In the international sphere, Conectas also denounced the government of the state of São Paulo for not having created a state-level mechanism to combat and prevent torture.

In an effort to strengthen public debate on the status of persons deprived of their liberty in Brazil, Conectas launched a website called Carcerópolis (<https://carceropolis.org.br/>) in September 2018, using information from Infopen and experts on the prison system. In pursuit of the same goal, the Criminal Justice Network — which Conectas is a part of — promoted the “Is mass incarceration justice?” campaign which was hosted by SESC from July through September 2018.

In response to the collective *habeas corpus* from the State of Espírito Santo Public Defender's office which contested the overcrowding at the Northern Incarceration Unit in Linhares, the Supreme Court made a preliminary injunction establishing a maximum of 119% of the occupancy limit for correctional facilities in the State of Espírito Santo. Conectas and its partners presented an *amicus curiae* brief in support of this request, supporting the Public Defender's Office's demand.

Drug Policy

The so-called War on Drugs is responsible for a catastrophic number of human rights violations. Conectas continues to denounce the limitations and impacts of the 2006 'Drug Law', mainly when it comes to criminal courts. Together with a wide network of civil society organizations, the entity conducts research and advocacy work to avoid steps backward, propose advances toward decriminalizing use and regulating the production, sale, and consumption of certain substances, while using international mechanisms to denounce and spark constant public debate between different groups.

To increase the visibility regarding this issue in the general public and specific groups, Conectas held a debate in 2018, reflecting on the 12th anniversary of the 'Drug Law' together with the Brazilian Drug Policy Platform, streamed online. In order to give visibility to the violations of the rights of those who use drugs, Conectas and its partners held a themed hearing at the Inter-American Commission on the impact of public policies focused on therapeutic communities – privately run facilities, whereby people who use drugs are forcibly hospitalized and subject to controversial treatment methods. For the same purpose, Conectas invited more than 15 experts from various regions and subject areas to discuss litigation and advocacy strategies in São Paulo.

Right to Protest

Conectas constantly works against any initiatives that attempt to curtail the right to protest. To do so, Conectas works domestically and internationally to keep protestors from being punished for exercising their right to peaceful assembly. In 2018, together with its partners, Conectas reported the conviction of 23 protestors in Rio de Janeiro to the UN, and promoted events and meetings on the right to protest with the participation of the UN Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association, Clément Nyaletsossi Voule, in São Paulo and Rio de Janeiro, with more than 30 activists and agents of the justice system from various states. Conectas also presented an *amicus curiae* brief to the Supreme Court in order to overturn the requirement for advanced notice before holding public protests.

Oversight of Police Activities

In 2009, Conectas presented a case to the Inter-American Human Rights Commission regarding the murder of five young people in Parque Bristol, on the outskirts on the city of São Paulo, in 2006. These murders were part of a series of summary executions known as the May Crimes. In São Paulo, those responsible for such cases at the State Prosecutor's Office did not investigate sufficiently and no suspect was identified despite evidence indicating police involvement.

With the support of Conectas, the victims' families made a motion to the Federal Attorney General's Office to reopen the case at the federal level. Conectas also continued pressuring the Inter-American Commission on Human Rights to recommend that Brazil reopen the case at the federal level. At a hearing in March 2018 in Bogotá, together with the victims' families, Conectas denounced the case and the effective lack of an investigation, along with the high number of deaths caused by law enforcement agents.

In addition, in an effort to raise awareness in the media and the general public, Conectas and the non-profit news source Agência Pública gave scholarships to four journalists to make investigative reports on police violence in various locations in Brazil.

Strengthening Democratic Space Program

Civil Society in Decision-making Spaces

In 2018, Conectas had a team monitoring the main debates on human rights and influencing the position of Brazil and other countries at international fora. Conectas participated in all sessions of the UN Human Rights Council, which take place in March, June, and September in Geneva, Switzerland. Among the topics Conectas covered during the sessions were: the assassination of Marielle Franco; human rights violations during the federal intervention in Rio de Janeiro; the reception of refugees and migrants along with the situation of Venezuelan refugees in Brazil; police activities in the Maré favela in Rio de Janeiro; the affects of government austerity measures; and the militarization of public security.

In addition to statements during the debates at the Human Rights Council, Conectas brought human rights activists from Brazil and Venezuela to increase the presence of the Global South at multilateral fora so that they can access international human rights protection mechanisms. Along with Venezuelan activists, Conectas organized an event at the UN on the situation of Venezuelan refugees in the Americas. With Brazilian activists, we discussed the militarization of public security in Rio de Janeiro and its impact on human rights. With its partners, Conectas also brought important debates before the Human Rights Council, such as the militarization of public policies in Latin America and the efforts of civil society organizations on the foreign policy of Global South countries.

Domestically, Conectas also participates in national-level councils and monitors the progress of laws proposed at the National Congress that impact human rights. In September, another advocacy officer was hired and throughout the year, Conectas participated in National Human Rights Council meetings. In November 2018, it was re-elected to serve as a substitute. Among Conectas' initiatives at the National Human Rights Council, was a council's mission to Roraima to monitor the situation of Venezuelans near the border and the subsequent report from the Council with recommendations to the Brazilian State.

Laws that Restrict Civil Society

Conectas continuously works against laws that restrict the work of civil society, including anti-terrorism laws, parts of which Conectas and other civil society organizations have successfully removed in order to protect civil society. In 2018, we performed continuous monitoring work on laws proposed at the National Congress and on debates on such issues during the elections.

Conectas also worked on the use of the Armed Forces in Public Safety. Together with partners at the Supreme Court, we defended the idea that the Presidential Decree 9288/18 authorizing the Federal Intervention in the State of Rio de Janeiro is unconstitutional and monitored the situation through partnerships with local organizations and investigative journalists from Agência Pública. Internationally, Conectas has brought the issue of militarization of public policy—mainly when it comes to public safety—to debates with partners from Latin America at the Inter-American Commission on Human Rights during its 170th session.

In August 2018, Conectas also began monitoring the presence of the Armed Forces in Roraima. Conectas criticized the authorization by President Michel Temer to Guarantee the Law and Order in Roraima because it increased the militarization of humanitarian aide to Venezuelan refugees who arrive at Brazil's northern border.

Sur Journal

In 2018, Conectas released two editions of the Sur Journal. In July, Sur 27 was released with a special file on the internet and democracy in partnership with FES and InternetLab with articles on privacy, free elections, fake news, neutrality, social networks, and participation. Sur 27 also included articles about police violence and the impact of drug policy on imprisonment and an interview with Juan Pablo Bohoslavsky, an independent expert from the United Nations on the effects of external debt and other international financial obligations on states. The edition featured photos by artists who competed for the Hong Kong Human Rights Arts Prize in 2017, given by the Hong Kong Justice Centre.

The journal also included a text by Marielle Franco, published posthumously, on the Pacifying Police Units and an article by Debora Doane on the changes needed in the non-profit sector.

The 28th edition of the Sur Journal was edited by guest editor Sueli Carneiro. Entitled “Race and Human Rights: Moving Structures”, it included texts from three black woman authors who received Conectas scholarships to write on topics such as popular courts, the invisibility of transvestites and transsexuals in the Brazilian Black Movement, and socio-political organization in quilombos. The Sur file also included various texts from authors from the Global North and South, which brought race into the center of the discussion on strategies, narratives, and financing in the human rights arena. The journal also discussed how art can be a tool for anti-racist struggles, featuring art works from the internationally acclaimed exhibition Afro-Atlantic Histories, an article on poetry slams and another on curatorship from the perspective of black women.

Migration

Conectas also works to make the rights of migrants in Brazil a reality. Conectas worked together with partners on monitoring the implementation of the new law.

Conectas also played a central role in monitoring the reception of Venezuelan refugees and migrants in Brazil. We are monitoring the process of moving Venezuelans from Roraima to other states, analyzing the budget of “Operation Welcome” and training organizations that work with migrants. Conectas also trained journalists to deal with topics relating to migration and refugees, seeking to reduce xenophobic and prejudiced viewpoints in the media.

The reception of Venezuelans was complicated by certain actions made by the government of the state of Roraima, which sought to close the border with Venezuela and made it difficult for refugees to access public health services. Together with partners, Conectas not only denounced the situation, but also took action at the Supreme Court to avoid the closure of the border. Internationally, Conectas has reported the situation to both the Inter-American Human Rights Commission and the United Nations, along with Latin American partners.

Development and Socioenvironmental Rights Program

Financing of Development

Financing agencies are important for development and must take into account socio-environmental factors when approving projects, which often have substantial impacts and do not follow international rules on prior consultation nor other human rights. As a result, Conectas works internationally to include environmental and human rights guarantees at multilateral and domestic development banks.

In April, Conectas participated in the Civil Society Forum in Washington, where we discussed the tendency of multilateral banks to rely on Country Systems rather than safeguards. In May, Conectas participated in the 3rd Annual Meeting of the New Development Bank (NDB) in Shanghai, China, where we released the report entitled “The Country Systems and Social and Environmental Safeguards at Developing Institutions”. The study has the goal of discussing the Country Systems approach by financial institutions in social and environmental safeguards and how the NDB can help improve legal standards and local capacities to guarantee sustainability in infrastructure projects.

In pursuit of this goal, Conectas works toward the World Bank including these guarantees in its Guiding Principles for the Social and Environmental Framework. It also has recommended including the issue of monitoring and accountability for development banks, such as the Brazilian Development Bank BNDES, for violations in projects it has financed. In August, Conectas released the report entitled “National Bank, Global Impacts”: The support of BNDES for exports of engineering goods and services and its effect on the environment and human rights”, which analyzes these projects and points out ways rights can be protected.

Access to Justice

Conectas works in partnership with local organizations raise awareness on the plight of communities affected by violations of socio-environmental rights on the part of companies, and to hold those companies responsible. Conectas has worked on the case of the Fundão dam collapse in Mariana, which affected the entire Rio Doce basin. It has also worked on large-scale development projects in the Volta Grande do Rio Xingu region of the State of Pará, including the Belo Monte Hydroelectric Dam; an open-pit gold mining project by Canadian company Belo Sun; the exploitation of forced labor on coffee plantations in the State of Minas Gerais; and the impact of the Porto of Suape in the State of Pernambuco.

In 2018, Conectas visited these locations and worked with local organizations to ensure access to justice for the affected people and communities. In regards to many cases of workers who are the victims of slave labor in coffee production in Minas Gerais, together with local partners, Conectas denounced the multinational companies that use coffee to Brazil's national point of contact for the OECD.

In April, together with partners, Conectas sent a report to six special UN rapporteurs and the UN Working Group on Business and Human Rights, denouncing the lack of reparations for those affected by the collapse of the Fundão dam in Mariana, Minas Gerais. Conectas and partners have defended the idea that those affected need to participate in decision-making regarding the case, the protection of human rights defenders, and the work of international organizations.

Along with five other organizations, Conectas has made an urgent appeal through special UN procedures denouncing the situation of human rights defenders who are under threat in the State of Pará, as part of the open-pit gold mining project by Canadian company Belo Sun. In the document, the entities request both Canada—where the company is from—and Brazil to take protective measures regarding those threatened. The entities have requested that the license to mine not be granted. Public pressure made the company's largest shareholder sell their shares.

Arms Trade

A founding member, Conectas has been part of the Coalition for the Responsible Export of Arms since 2016. It has conducted continuous advocacy to complete the ratification process of the Arms Trade Treaty at the National Congress and the executive branch since 2013. In addition to its work in Brazil, Conectas has also worked on international mechanisms and coalitions. Together with its partners, Conectas worked directly with the legislative branch so that the text would be approved in February by the National Congress.

During the first half of 2018, Conectas pressured the executive branch to sign the terms of ratification of the treaty. Through public discussions and through the press, Conectas and other organizations were able to get the President to complete the ratification process for the treaty in June. The ratification papers were presented to the UN in August and the treaty finally entered into force in Brazil in November.

Corporate Responsibility

In keeping with the United Nations Guiding Principles on Business and Human Rights, Conectas continuously works to make international principles and guidelines a reality in Brazil, by raising awareness in the government, civil society, and business regarding the importance of companies respecting international human rights norms. In addition, we pressure the Brazilian government for implementation and monitoring of international recommendations made by the UN Working Group on Business and Human Rights.

In May, Conectas released a report entitled “Recommendations of the UN Working Group on Business and Human Rights in Brazil: The Status of Implementation by the Government and Businesses”, in which we presented a panorama on how the recommendations from the UN Working Group were actually being monitored and met by the Brazilian government and companies that work in the country. The report was also presented during the 38th Session of the Human Rights Council in Geneva, where Conectas denounced certain issues that have gotten worse and pressured the Brazilian government to invite the UN Working Group for a monitoring visit in 2019.

Climate Litigation

The use of legal instruments is a tool that is being increasingly used by entities that defend environmental and human rights in order to compel states and companies to take responsibility for containing climate change. In partnership with prominent field organizations, Conectas participates in a project that explores the possibilities and options for climate litigation in Brazil, in light of the example of other countries that already have cases of climate litigation. In pursuit of this goal, in 2018, Conectas published videos of experts discussing the International Criminal Court's policy of considering environmental impact in its selection of cases.

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>2018</u>	<u>2017</u>
Volunteers	184,844	104,281
Donated services (Board Members)	-	47,834
Total	<u>184,844</u>	<u>152,115</u>

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.

The Association has reformulated its understanding of gratuities and understands that the work carried out by Board Members is not voluntary work, nor gratuitous, since there are legal obligations arising from these positions that, by their nature, are not remunerated.

12 Financial income (loss)

	2018	2017
Return on financial investments	485,436	567,679
Other financial revenues	211	538
Bank expenses	(3,364)	(5,491)
Other financial expenses	(830)	(299)
	481,453	562,427

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, if the other legal conditions are met.

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

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\$ 78,638 (R\$ 69,505 – 2017), according to the statements of financial position - "Tax Liabilities" for the proper payment in court, while it awaits the outcome of the legal challenge.

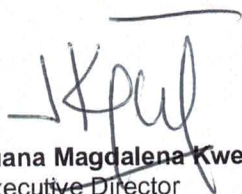
15 Other information

- (a) In the years ended December 31, 2018 and 2017, 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;
 - 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);

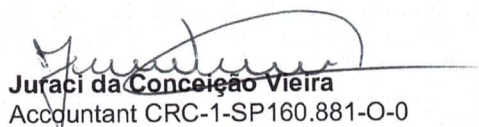
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- Coverage for disqualification;
 - Extraordinary events with regulators;
 - Crisis management.

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



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