

(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, 2019**

ASSOCIAÇÃO DIREITOS HUMANOS EM REDE

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Contents

Independent auditor's report on the financial statements

Statement of financial position

Statement of activities

Statement of comprehensive income

Statement of changes in net assets

Statements of cash flows

Notes to the financial statements

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, 2019 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, 2019, 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, February 14, 2020.



BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Carlos Aragaki
Contador CRC 1 SP 132.091/O-1

ASSOCIAÇÃO DIREITOS HUMANOS EM REDE

**Statements of financial position
At December 31, 2019 and 2018
(In Brazilian Reals)**

Assets	Notes	2019	2018	Notes	2019	2018
Current						
Cash and cash equivalents	3	8,313,935	10,561,440		16,177	2,143
Other accounts receivables	4	18,304	51,541	6	333,003	284,307
		8,332,239	10,612,981	7	3,549,762	6,518,630
					3,898,942	6,805,080
Noncurrent						
Court deposits		105,376	78,638	13	107,150	82,212
Fixed assets	5	216,744	153,408		107,150	82,212
Intangible assets	5	36,213	29,569			
		358,334	261,615	8	4,684,480	3,987,304
Total assets		8,690,572	10,874,596		8,690,572	10,874,596
Liabilities and net assets						
Current						
Accounts payable						
Social charges						
Advance donations						
Noncurrent						
Tax liabilities						
Net assets						
Net assets						
Total liabilities and net assets		8,690,572	10,874,596		8,690,572	10,874,596

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

Statements of activities
 For the years ended December 31, 2019 and 2018
 (In Brazilian Reais)

	Note	2019	2018
Donations revenues			
Domestic donations	7	886,444	459,591
Foreign donations	7	7,307,762	6,403,027
Volunteers services	10	74,654	184,844
		8,268,860	7,047,462
Expenses from activities			
Cost of theme areas	9	(5,699,024)	(4,891,552)
Continued expenses		(2,518,161)	(2,017,558)
Tax expenses		(48,340)	(31,837)
Recovery of expenses		146,064	190,688
Other expenses		(5,622)	(685)
Other incomes		28,957	-
		(8,096,126)	(6,750,944)
(Deficit/Superavit) before financial income (loss)		172,734	296,518
Financial income	11	524,442	481,453
Surplus for the year		697,176	777,971
Other comprehensive income		-	-
Comprehensive income for the year		697,176	777,971

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, 2017	2,932,023	277,310	3,209,333
Surplus incorporation Surplus of the year	277,310	(277,310) 777,971	- 777,971
As at December 31, 2018	3,209,333	777,971	3,987,304
Surplus incorporation Surplus for the year	777,971	(777,971) 697,176	- 697,176
As at December 31, 2019	3,987,304	697,176	4,684,480

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

Statements of cash flows
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

	2019	2018
Cash flows from operating activities		
Surplus for the year	697,176	777,971
Depreciation	66,432	55,519
Depreciation write off	(29,382)	(2,617)
Depreciation adjustment	-	-
Write-off of fixed assets	35,822	3,002
Prepaid expenses	-	457
Adjusted surplus for the year	770,048	834,332
Increase/(decrease) in assets		
Other accounts receivable	33,238	27,894
Court deposits	(26,738)	(12,133)
Increase (decrease) in liabilities		
Accounts payable	14,034	2,053
Social charges	48,696	(54,906)
Tax liabilities	24,938	12,672
Advance donations	(2,968,868)	2,979,519
Net cash from operating activities	(2,104,652)	3,789,431
Cash flows from investing activities		
Acquisition of fixed assets	(142,853)	(32,125)
Net cash from investing activities	(142,853)	(32,125)
Net increase in cash and cash equivalents	(2,247,505)	3,757,306
Cash and cash equivalents at end of year	8,313,935	10,561,440
Cash and cash equivalents at beginning of year	10,561,440	6,804,134
Net increase in cash and cash equivalents	(2,247,505)	3,757,306

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

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

1. Operations

Associação Direitos Humanos em Rede (“Conectas” or “Entity”) is an international non-profit and non-governmental organization established in September 2001 in São Paulo, Brazil. Its mission is to promote the enforcement of human rights and the democratic rule of law in the Global South - Africa, Latin America and Asia.

Since January 2006, it has 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.

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 10.

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 February 14, 2020.

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.

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

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 12). 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.

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

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

	2019	2018
Checking accounts	970	26,040
Financial investments (*)	8,312,965	10,535,400
	<u>8,313,935</u>	<u>10,561,440</u>

(*) These are represented by Bank Certificate of Deposits (CDBs), remunerated at fixed rates at 93,24% 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, 2019, these mainly refer to advance payments of rent, advances to employees, D&O liability and patrimonial insurances.

5. Fixed and Intangible assets

	2019		2018		Annual Depreciation Amortization rates (%)
	Cost	Accumulated Depreciation Amortization	Net	Net	
Movables					
Furniture and fixtures	169,241	(88,542)	80,699	75,509	10
IT equipment	212,929	(148,614)	64,315	63,681	20
Telecommunications equipment	62,445	(12,426)	50,019	14,218	10
Electronic devices	25,518	(3,807)	21,711	-	20
	<u>470,133</u>	<u>(253,389)</u>	<u>216,744</u>	<u>153,408</u>	
Intangible assets					
Software	66,987	(30,7747)	36,213	29,569	20
	<u>537,120</u>	<u>(284,163)</u>	<u>252,957</u>	<u>182,976</u>	

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

The changes in fixed and intangible assets were as follows:

	<u>2019</u>	<u>2018</u>
At beginning of year	182,976	206,755
Acquisition of assets	142,853	32,125
Write-off of assets	(35,822)	(3,002)
Depreciation/Amortization	(37,050)	(52,902)
At end of year	<u>252,957</u>	<u>182,976</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 NBC TG 1000.

6. Social charges

These mainly refer to the provision for vacation pay.

7. 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 2019, in the amount of R\$ 11,818,262 (2018- R\$ 13,566,092), R\$ 8,268,860 (2018- R\$ 7,047,462) were used this year and R\$ 3,549,762 (2018- R\$ 6,518,630) will be used in 2020 to continue the projects.

8. 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 n° 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 n° 9.790/99, preferably with the same activity purpose.

Notes to the financial statements
 For the years ended December 31, 2019 and 2018
 (In Brazilian Reais)

9. Expenses from activities.

	2019	2018
Services rendered by legal entities	(991,611)	(609,672)
Services rendered by natural person	(43,769)	(100,971)
Personnel expenses	(1,159,219)	(973,804)
Travel expenses	(88,195)	(41,410)
Theme areas/Initiative costs	(5,699,024)	(4,891,552)
Other expenses	(114,308)	(133,535)
Total	(8,096,126)	(6,750,944)

Theme Areas

	2019*	2018
Institutional Violence Program	(1,512,464)	(1,658,356)
Strengthening Democratic Space Program	(2,610,640)	(1,715,580)
Development and Socioenvironmental Rights Program	(1,575,920)	(1,517,616)
Total	(5,699,024)	(4,891,552)

(*) Represented by:

Theme Areas	Initiative	2019
Institutional Violence	People deprived of liberty	(597,772)
	Oversight of Police Activities	(250,840)
	Drug Policy	(298,071)
	Right to Protest	(365,782)
Strengthening Democratic Space	Laws that Restrict Civil Society	(285,099)
	South-South Articulation	(345,532)
	Sur Journal	(631,193)
	Migration	(482,819)
	Religion and Human Rights	(188,496)
Development and Socioenvironmental Rights	International Human Rights Colloquium	(677,500)
	Financing of Development	(374,247)
	Corporate Responsibility	(411,991)
	Combating Contemporary Slavery	(382,147)
	Climate Litigation	(407,535)
	Total	(5,699,024)

Description of the programs

Combating Institutional Violence Program

Persons Deprived of Liberty

Brazil has the fourth-largest number of people incarcerated in the world, and this situation has not changed for several years. Conectas has a long-term work pressuring for changes in the jail system in the country. As part of our work to fight against torture, Conectas has held several training sessions on how to investigate torture. The information was based on the Istanbul Protocol, with focus on the particular vulnerabilities of women. The workshops were attended by civil society organizations working with strategic litigation; doctors; judges and legal practitioners. Conectas has also produced a manual on how to identify and assess cases of torture by police officer during custody hearings.

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

In addition to capacity building to important players in the context, Conectas has worked to protect and promote mechanisms to combat torture in Brazil. The national preventive system in Brazil includes the National Mechanism for the Prevention and Combat of Torture (MNPCT) and the National Committee for the Prevention and Combat of Torture (CNPCT). Both institutions were under threat in 2019. On June, the president Bolsonaro abolishing the positions of eleven experts of the mechanism. Conectas and partners lead a huge pressure nationally and internationally on the government to review the decision. In this situation, the work with the Inter-American Commission on Human Rights was very important. Conectas also contributed to the multiplication of the preventive mechanism model throughout the states of the federation, ensuring the coverage of the whole prison system, particularly in the state of Maranhão and the Federal District.

Conectas monitors the situation in loco in prison facilities in the country. Conectas team regularly visits the Pedrinhas prison complex in the State of Maranhão, producing evidence of the situation inside the complex; pressuring for the respect of international standards regarding the well-being of inmates and gathering information regarding torture claims. In addition to the in loco visits, Conectas monitors the situation as a member of the CNPCT and pressures the government to provide resources for prison facilities inspections.

Conectas works to avoid over crowded prisons. Conectas has taken part on the debates regarding the imprisonment after first appeal and the pardon signed by president Bolsonaro. Aiming to improve the lives of those that have left the prison system, Conectas has published the report “O preço da liberdade: fiança e multa no processo penal” (The price of freedom: bail and fines in the criminal process), showing that the efficiency of bail and penalty fines depends on the offender’s financial situation. In practice, they serve as a financial filter that leads to imprisonment and loss of rights for poor people.

Right to Protest

Conectas has a long-term work 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 denounced the conviction of 23 protestors in Rio de Janeiro to the UN. Conectas took part in an amicus curiae brief in a case before the Supreme Court in order to overturn the requirement for advanced notice before holding public protests. The convictions were overturned by the Supreme Court in February. In 2019, Conectas has also opposed the decision by the government to use the armed forces to monitor protests, as a clear disrespect for democratic rulings.

Oversight of Security Forces Activities

Among the main challenges to Oversight of Security Forces Activities in Brazil in 2019 was the Anticrime Bill a series of amendments to criminal and procedural law presented by the Minister of Justice, Sérgio Moro. Among several articles that would have a negative impact in the oversight of police activity and in the mass incarceration, the exemption from illegality clause was particularly problematic. This provision, in practice, would exempt police officers from liability for crimes committed in the line of duty and has been described by academics and organized civil society as a license to kill. After a strong pressure by civil society and legal practitioners, this article and others that were particularly harmful to human rights - was removed from the bill. Conectas has triggered international mechanisms about the risks of this provision and has presented the issue to the media.

In addition to the challenges in the Congress, the violence perpetrated by police forces in Brazil escalated considerably in 2019. In São Paulo, a bill project was presented to abolish the police ombudsman in the same year that several massacres were committed in the State. Conectas works closely to the victims seeking reparation and accountability. In Rio de Janeiro, the situation was particularly serious. Several killings were committed by both police and armed forces. Conectas has joined partners in Rio de Janeiro to denounce the situation internationally; to pressure the government to enforce accountability and to seek reparations to the victims.

Drug Policy

In 2019, the new administration presented deep changes in the 2006 Drug Policy Law aggravating the situation in the country. The new administration pushed for a new drug policy centered on abstinence. Conectas and Plataforma Brasileira de Política de Drogas teamed up in Congress to contain Bill #37, which was presented back in 2012 by the current Minister of Citizenship (responsible for drug policy administration). The bill eventually became Law 13.840/2019, which reform the Drug Act from 2016 to include the policies already in effect by the Executive branch.

Since the legal framework experienced this setback in the first semester, Conectas has been engaging in talks with different actors to monitor the implementation of the new law by local governments and exploring avenues of questioning the new legislation through litigation and international action. Currently, we are collaborating with the National Association of Public Defenders to build protocols of procedure by Public Defenders' Offices nationwide, as the new law states that they have to be promptly informed of all cases of forced treatment of People who use drugs (PWUD). Furthermore, Conectas is documenting in partnership with the Federal Prosecutors Office to study the human rights impacts of the shift in policy away from harm reduction practices in favor of forced abstinence.

In addition, Conectas collaborated with several organizations in Brazil and abroad to discuss new positions regarding Drug Policy aiming to present a new perspective move from the ‘War on Drugs’ to a humane and rights-based approach. As part of this work, Conectas has attended the International Drug Policy Reform Conference in St Louis (USA) in November.

Conectas also work in the Judiciary, aiming for the decriminalization of drugs and fostering a rights-based approach. Conectas and partners have pressured the Supreme Court to analyze the Extraordinary Appeal #635.659 regarding the constitutionality of the Drug Act from 2006. As part of this work, Conectas and partners have launched a petition calling for the Supreme Court to decriminalize drugs. If the Supreme Court finds that the article 28 of the Act is unconstitutional, the new understanding will be that the possession of drugs for personal consumption cannot be considered a crime. The petition has already almost 15 000 signatures and will be send to the Supreme Court as soon as the case enters the agenda of the court.

Conectas has long worked to curb the effects of punitive drug policy in incarceration of women and the youth. Since 2016, when the Supreme Court ruled that first time drug offenders must have alternatives to incarceration, Conectas has been working to expand the measure and guarantee its implementation by local courts and prosecutors. In 2019, Conectas published a report exposing how the justice system resists in respecting the Supreme Court ruling; this is being used in new stages of advocacy directed at the justice system.

Strengthening Democratic Space Program

Laws that Restrict Civil Society

The first working day of the Bolsonaro government saw the introduction of a provisional executive order putting into practice his campaign promise of “ending all forms of activism”. Published on January 2, Provisional Executive Order No. 870/2019 gave the Secretary of Government of the Presidency of the Republic the authority to “supervise, coordinate, monitor and observe the activities and actions of international bodies and non-governmental organizations in the national territory”.

Civil society successfully influenced the passage of the measure in the National Congress and managed to overturn the article that guaranteed the control of organizations by the State. After exerting strong pressure, the joint commission analyzing the matter decided to remove from the Secretary of Government the power to monitor the activity of non-governmental organizations.

South-South Articulation

Conectas international work is based on monitoring the Brazilian Foreign Policy, building international solidarity; triggering international mechanisms and presenting the Global South voice in international fora. In 2019, the Brazilian Foreign Policy changed deeply, shifting from the promoting human rights internationally to a position in international fora to oppose rights for women and LGBT population. In this context, Conectas had to increase its international presence and resist the Brazilian representatives in fora, particularly in the sessions of the Human Rights Council.

Conectas attended the three sessions of the Human Rights Council in Geneva in 2019. In addition, Conectas supported the mission of representatives of the Associação Brasileira de Lésbicas, Gays, Bissexuais, Travestis, Transexuais e Intersexos (ABGLT) - one of the main networks pressuring for LGBT rights in Brazil- and of a representative of Coalizão Negra por Direitos, a network of anti-racist and black organizations advocating for rights for the black community in Brazil. Conectas hosted an event entitled “The situation of Human Rights in Brazil” with several Brazilian partners and the event “New Authoritarianism: implications for Human Rights and Civil Society”, with organizations from several countries.

In addition, Conectas made several statements denouncing the situation of human rights in Brazil and presented a mid-term report on the situation of human rights in Brazil, the report is part of the Universal Periodic Review strategy.

Migration

In 2019, the new administration has presented several challenges to migrant rights in Brazil. The main issues were maintaining the legislation protecting migrants’ rights - which is centered in the Migration Act from 2017 - and maintaining the welcome for Venezuelan migration in the Northern border. Conectas worked with several partners to guarantee both areas are covered aiming for a better situation for migrants in Brazil.

At the start of 2019, Brazil announced its withdrawal from the UN Global Compact for Migration. The agreement addresses questions such as how to effectively protect migrants and how to integrate them into society. Conectas denounced the situation internationally and worked to prevent other setbacks regarding migrant rights. The new administration also tried to extradite the Brazilian-naturalized Turkish citizen, Ali Sipahi, which was vetoed by the Supreme Court. Conectas added an amicus curiae brief and advocated for the rights of Mr. Sipahi, as the case could be a dangerous precedent.

Conectas also worked in the two main attempts by the administration to restrict migrants' rights. In July, an ordinance published and signed by the Minister for Justice, Sergio Moro, allowed for the possibility of fast-track deportation of migrants based on the suspicion that the person may be a threat to the country's security through involvement in terrorism, organized crime of drug trafficking, among others. Conectas worked with partners to pressure the government to withdraw the worst provisions in the ordinance 666/2019. Following the pressure against the ordinance the Office of the Attorney General of the Republic, Raquel Dodge, presented an action calling for the suspension of Minister Sérgio Moro's measure, to the Supreme Federal Court (STF). The measure provides for refusing entry, repatriation and summary deportation of foreigners. The government published a new ordinance changing the most serious provisions.

Aiming to restrict migrants' rights also, provisions containing serious regressions in the new Migration Act such as the possibility of summary expulsion and deportation of migrants were included in the bill of law 1928/2019. Conectas and other civil society organizations pressured against the bill, and it was overturned by the Senate in October.

Sur Journal

In 2019, Conectas published an edition of the Sur Journal in three languages: Portuguese, Spanish and English. The Sur 29 special edition on Religion and Human Rights was published in partnership with two guest editors: Magali do Nascimento Cunha and Paul Freston, both are professors who study in deep religion and its impacts in society. The edition published articles on the relation between religion and human rights, including religious freedom; gender and religion and migration, religion and human rights and the fights for rights.

In addition, it included a multi-media presentations related to the movie "Híbridos - The spirits of Brazil", which was also showed during a debate in Cine Direitos Humanos - a monthly movie section promoted by Conectas. This movie was also exhibited during the Cine Human Rights in November 2019. Conectas also held a launch event at Casa 1 in September 2019 in São Paulo and another in October in Brasilia at Instituto Federal De Brasília. It also supported a debate on Religion, Politics and Human Rights which was held at Museu da República in Rio de Janeiro and a debate on Religion and Democracy held at Tapera Taperá in São Paulo. In addition, a third debate on Migration, Religion and Human Rights was held at the Immigration Museum in São Paulo in December.

International Human Rights Colloquium

In 2019, the event took place October 6-11, holding activities in São Paulo, Rio de Janeiro, Recife, and Brasília. The 16th edition took place in an environment of increasingly conservative policies and movements to erode rights in Brazil and throughout the world. As a result, in addition to more open and constant rights violations, the human rights movement faces restrictions against their participation in society which amount to, in many cases, direct attacks on the lives of these activists.

In light of this, this edition of the colloquium had the purpose of sharing strategies in order to strengthen organizations, groups, and movements, as well as enhance collaborative action, including the use of networks. Therefore, the event was designed to be a space to inspire and strengthen organizations and activists—who often work in barren, isolated locations—so that they could share experiences and learn about new ideas, build strength, and breathe new life into their day-to-day work.

Development and Socioenvironmental Rights Program

Corporate Responsibility

Conectas understands the United Nations Guiding Principles on Business and Human Rights as a major instrument to protect human rights and promote corporate responsibility. Conectas works to raise international awareness on the principles and pressures the Brazilian government to implement them by presenting the situation on the country in international fora. In May, Conectas took part in the IACHR public hearing on human rights violations committed by corporations in Kingston, Jamaica and in November took part in the UN Business and Human Rights Forum, in Geneva, Switzerland making international denounces of the situation in Brazil.

Aiming to produce data on the matter, in March, Conectas released the second report on the Recommendations of the UN Working Group on Business and Human Rights to Brazil. In the report, Conectas analyzes the implementation of the recommendations made by the Working Group to Brazil - both government and business - and presents the results of a survey carried out with 59 of the main companies in the country. Conectas also works to promote an environment of protection for Human Rights Defenders in the country, by supporting denounces - both nationally and internationally - and coordinating legal actions.

Financing of Development

Conectas and partners have taken the role of watchdogs of the BNDES, the Brazilian Development Bank, for years now. As part of this work, Conectas has carried out several activities to improve BNDES' policies and practices regarding transparency, participation, and accountability. Conectas pressured the BNDES for transparency regarding its socio-environmental impact, including the monitoring of the projects funded by the bank. In June 2019, the BNDES opened a public consultation to review its socio-environmental policy. Conectas took part in the consultation, sending comments to the bank and pressured the bank for a stronger and deeper commitment to human and environmental rights. Conectas, presented recommendations regarding the institutionalization of the prohibition to finance thermoelectric plants; policies for indigenous populations' rights in accordance with international standards; climate change and transparency regarding funding for the arms industry. In addition, Conectas has recently in June 2019 taken part in a seminar on the socio-environmental impact of Green Bonds, in which BNDES representatives also made a presentation on the Bank's actions on this matter. The Bank has not yet published the results of the consultation.

Regarding Conectas' work to pressure the NDB, Conectas has established a regular dialogue with the NDB, taking part in meetings and presenting recommendations and requests to the bank. The developments in the last year have been very meaningful. During the second meeting civil society held in Shanghai in November 2018, the NDB and civil society organizations agreed to work in four main areas: transparency; participation; gender and country system. Conectas and partners have pressured the NDB during the Annual Meeting held in Cape Town in April 2019. In addition, the Bank presented its criteria to assess the sustainability of the funded projects, the bank representatives said the new criteria was based on the report made by Conectas and partners on sustainable infrastructure. Currently, Conectas is analysing the impacts of the first project financed in Brazil by NDB, a wind park in the Northeast of the country.

Combating Contemporary Slavery

Conectas works to establish a strong legislation that will ensure protection for workers and accountability for those using forced labour. As part of that work, Conectas has pressured the government to increase the effort to fight forced labour, by maintaining inspections following denounces of forced labour. In addition, Conectas is raising awareness on the importance of a piece of legislation implementing transparency in the supply chain. In 2019, Conectas hosted an event with several international experts to discuss the better way to implement due diligence and transparency in the supply chain.

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

As part of Conectas work, we support partners on the ground to present denounces in international fora as the UN Business and Human Rights Forum and the UN Human Rights Council. Conectas also worked with partners to hold accountable those using forced labour. Together with ADERE-MG (Articulação dos Empregados Rurais do Estado de Minas Gerais, a trade union of rural workers in Minas Gerais), Conectas filed a case before the National Contact Point, OECD, in 2018, on forced labour in the coffee industry in Minas Gerais and has since then been working to defend workers.

Climate and Human Rights

Since 2018, Conectas analyzes with partner organizations the possibilities to litigate cases related to the climate crisis in Brazil. After a deep and intense research, in December, Conectas launched a guide on climate litigation. The guide was launched during COP25 (United Nations Conference on Climate Change) in the panel “Prospects for Stronger Climate Litigation in Latin America: cases, approaches and opportunities”, organized by iCS (Instituto Clima e Sociedade (a philanthropic organization that promotes prosperity, justice and low carbon development in Brazil) in partnership with Conectas Human Rights and AIDA (Interamerican Association for Environmental Defense).

In partnership with JOTA (a Brazilian information company that has become a reference for in-depth monitoring and understanding of the country’s governmental institutions) and with the support of ICS, Conectas published in 2019 a series of articles that intended to promote the dissemination of legal content in the field of Law and Climate. National and international experts were invited to write about issues related to climate change and human rights, international legal regime on climate change, sustainable financing, strategic litigation, control of greenhouse gas trade, among others

10. Fair value of voluntary and donated services

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

	2019	2018
Volunteers		
Theme Areas	67,373	177,353
Continued expenses	7,281	7,491
Total	74,654	184,844

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

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

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.

11. Financial income (loss)

	2019	2018
Return on financial investments	526,215	485,436
Other financial revenues	504	211
Bank expenses	(1,956)	(3,364)
Other financial expenses	(321)	(830)
	<u>524,442</u>	<u>481,453</u>

12. 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.

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

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.

13. Legal claims

Decree n° 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\$ 105.376, according to the statements of financial position - “Tax Liabilities” for the proper payment in court, while it awaits the outcome of the legal challenge.

14. Other information

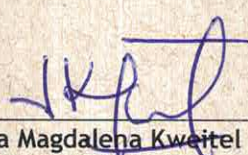
- (a) In the years ended December 31, 2019 and 2018, the Entity did not utilize derivative financial instruments;

Notes to the financial statements
For the years ended December 31, 2019 and 2018
(In Brazilian Reais)

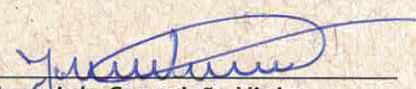
- (b) The Entity does not maintain pension plans or any other retirement or benefit plans for the employees and officers after their termination or a bonus or profit sharing plan for officers and employees;
- (c) Conectas has D&O liability insurance since February 26, 2016, which covers payment of losses 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);
 - Coverage for disqualification;
 - Extraordinary events with regulators;
 - Crisis management.

15. 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