

(A free translation of the original in Portuguese)

***Associação Direitos
Humanos em Rede***
***Financial statements at
December 31, 2022
and independent auditor's report***



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Fiscal and
Deliberative Councils
Associação Direitos Humanos em Rede

Opinion

We have audited the accompanying financial statements of Associação Direitos Humanos em Rede ("Association"), which comprise the balance sheet as at December 31, 2022 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associação Direitos Humanos em Rede as at December 31, 2022, and its financial performance and its cash flows for the year then ended, in accordance with accounting practices adopted in Brazil for small and medium-sized entities – CPC Technical Pronouncement PME - Accounting for Small and Medium-sized Entities, including the provisions contained in Technical Interpretation ITG 2002 (R1) - "Non-Profit Entities"

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. 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 Association in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil for small and medium-sized entities (CPC - Technical Pronouncement PME - Accounting for Small and Medium-sized Entities) and in accordance with the Technical Interpretation ITG 2002 (R1) - "Non-Profit Entities", which regulates the accounting of non-profit entities and for the internal controls that it has determined to be necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Associação de Direitos Humanos em Rede

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with Brazilian and International Standards on Auditing, 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association 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 Association 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these 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 control that we identify during our audit.

São Paulo, April 5, 2023


PricewaterhouseCoopers
Auditores Independentes Ltda.
CRC 2SP000160/O-5

Ricardo Barth de Freitas
Contador CRC 1SP235228/O-5

Balance sheet
At 31 December 2022 and 2021
(In Brazilian reais)

Assets				Liabilities and net equity			
	Note	2022	2021		Note	2022	2021
Current				Current			
Cash and cash equivalents	3	43,261,561	24,037,006	Accounts payable		8,263	322
Other accounts receivables	4	30,583	70,606	Social charges	7	662,411	528,446
Prepaid expenses	5	44,109		Advance donations	8	32,805,693	17,238,531
		43,336,253	24,107,612			33,476,369	17,767,299
Non-current				Non-current			
Judicial deposits		220,828	128,779	Tax liabilities	13	248,539	129,848
Fixed Assets	6	318,055	320,839			248,539	129,848
Intangible assets	6	30,100	45,371	Net equity			
		568,983	494,988	Net equity	9	10,180,328	6,705,453
Total assets		43,905,236	24,602,600	Total liabilities and net equity		43,905,236	24,602,600

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

Statement of income
Years ended on 31 December 2022 and 2021
(In Brazilian reais)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Revenue from donations			
Domestic donations		660,517	508,823
Foreign donations		11,792,967	9,117,209
Revenue from volunteers	10 (b)	2,677	732
		12,456,161	9,626,764
Expenses with activities			
Ongoing expenses	10 (a)	(3,878,336)	(3,294,303)
Volunteering	10 (b)	(2,677)	(732)
Tax expenses	10 (c)	(221,139)	(39,189)
Recovery of expenses	10 (d)	177,839	128,065
Cost of theme areas	10 (e)	(9,400,427)	(5,967,844)
		(13,324,740)	(9,174,003)
Surplus (Deficit) before financial income		(868,579)	452,761
Income from financial investments		4,348,740	989,609
Other financial income		1,221	8
Bank expenses		(6,507)	(1,846)
Other financial costs		-	(58)
Financial income	11	4,343,454	987,713
Surplus for the year		3,474,875	1,440,474

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

Statement of comprehensive income
Years ended on 31 December 2022 and 2021
(In Brazilian reais)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Surplus for the year		3,474,875	1,440,474
Comprehensive income flow and adjustments			-
Comprehensive income total		<u>3,474,875</u>	<u>1,440,474</u>

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

Statement of changes in equity
(In Brazilian reais)

	<u>Equity</u>	<u>Accumulated Surplus</u>	<u>Total</u>
As at 31 December 2020	5,264,979	-	5,264,979
Net Surplus		1,440,474	1,440,474
Destination of the surplus	1,440,474	(1,440,474)	
As at 31 December 2021	6,705,453	-	6,705,453
Net Surplus		3,474,875	3,474,875
Destination of the surplus	3,474,875	(3,474,875)	
As at 31 December 2022	10,180,328	-	10,180,328

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


 Two handwritten signatures in blue ink, each enclosed in a blue rounded rectangular box. The first signature is 'CUA' and the second is 'LMA'. Above each signature is the text 'DS'.

Statement of cash flows
Years ended on 31 December 2022 and 2021
(In Brazilian reais)

	2022	2021
Cash flows from operating activities		
Surplus for the year	3,474,875	1,440,474
Depreciation and amortization	103,762	64,803
Fixed Assets adjustments	18	-
Depreciation adjustments	-	(72)
Adjusted surplus for the year	3,578,655	1,505,205
(Increase)/decrease in assets		
Other accounts receivables	(4,087)	(6,375)
Judicial deposits	(92,049)	(14,386)
Increase (decrease) in liabilities		
Accounts payable	7,941	(10,787)
Social charges	133,966	123,610
Tax liabilities	118,691	13,471
Advance donations	15,567,163	2,292,794
Net cash from operating activities	19,310,280	3,903,532
Cash flows from investing activities		
Acquisition of fixed assets	(99,266)	(214,165)
Write-off of fixed assets	13,541	21,751
Net cash from investing activities	(85,725)	(192,414)
Increase in cash and cash equivalents	19,224,555	3,711,118
Cash and cash equivalents at end of year	43,261,561	24,037,006
Cash and cash equivalents at beginning of year	24,037,006	20,325,888
Net increase in cash and cash equivalents	19,224,555	3,711,118

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

Notes to the financial statements
At 31 December 2022 and 2021
(In Brazilian reais)

1. Operations

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

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

1.1 Effects of the pandemic caused by COVID-19

Since the start of the pandemic, Conectas created a pandemic management plan, with measures to prevent and mitigate its effects, in line with the guidelines established by national and international health authorities.

Against this backdrop, Conectas has been monitoring the effects of its activities and assessing the main estimates and critical accounting judgments, as well as other balances with the potential to generate uncertainties that impact the financial statements.

1.2 Conflict between Russia and Ukraine

Governments and authorities around the world, including the United States and the European Union, announced in February and March 2022 sanctions on certain industrial sectors in Russia. These and any additional sanctions, as well as any possible responses from the governments of Russia or other countries, do not financially affect our operations.

2. Presentation of the financial statements and description of the main accounting practices

The financial statements were prepared and are being presented in accordance with Brazilian accounting practices applicable to non-profit organizations, in accordance with the accounting practices adopted in Brazil for small and medium enterprises – Technical Accounting Pronouncement SME “Accounting for small and medium enterprises” – and in accordance with ITG 2002 – Non-profit organizations approved by Resolution 1,409/12 of the CFC (Federal Accounting Council).

The fair value of voluntary and donated services is presented in Note 11.



Notes to the financial statements
At 31 December 2022 and 2021
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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. The actual results may differ from these estimates. Conectas reviews these estimates and assumptions at least upon the preparation of the financial statements.

These financial statements were authorized by the Management on 5 April 2023.

Functional and reporting currency

The financial statements are presented in Brazilian reais, which is the functional currency of Conectas and also its reporting currency.

Summary of accounting practices

2.1 Cash and cash equivalents

Cash and cash equivalents include funds in domestic currency and financial investments with daily liquidity, insignificant risk of change in fair value and which are used by Conectas to meet its short-term commitments.

2.2 Financial assets

Management classifies its financial assets in the following categories: (a) measured at fair value through profit or loss; (b) loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management classifies its financial assets upon initial recognition.

Financial investments are classified as measured at net value. Their measurement is detailed in item (a) below.

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

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



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Notes to the financial statements
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(b) Loans and receivables

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

2.3 Fixed assets

Fixed assets are stated at historical acquisition cost. Items received through donation are recognized at the amount declared by the donor or the token amount of one Brazilian real (R\$1), with a corresponding entry to income from donations. Depreciation is calculated at the straight-line method at rates that take into account the useful lives of the assets, as stated in Note 6.

(a) Impairment of non-financial assets

Non-financial assets are assessed periodically to determine their recoverable value. 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 value of the asset over its recoverable amount. This amount is the higher of fair value less sales costs and value in use.

(b) Intangible assets

Intangibles are software that has been purchased and are needed for use on the organization's computers (mostly Windows and Office operating systems).

2.4 Accounts payable

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

Notes to the financial statements
At 31 December 2022 and 2021
(In Brazilian reais)

2.5 Taxes on operations

Conectas is a non-profit organization, exempted from the payment of Income Tax and Social Contribution Tax (Note 11). 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) Federal 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. Liabilities recorded are stated at known or estimated amounts including, when applicable, the corresponding charges and monetary variations incurred up to the balance sheet date.

2.7 Non-current liabilities

Non-current liabilities consist of contingencies due to lawsuits described in Note 13.

2.8 Equity

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

2.9. Income statement

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

At the end of the year, the funds that were not used and that are committed to projects are classified in liabilities as "Advance donations" and they are recorded in income when these funds are used.

Notes to the financial statements
At 31 December 2022 and 2021
(In Brazilian reais)

3 Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
Checking accounts	929	1
Financial investments (*) (**)	43,260,632	24,037,005
	<u>43,261,561</u>	<u>24,037,006</u>

(*) Represented by Bank Deposit Certificates (CDBs), remunerated at fixed rates of around 100% per year (2021 – 99.70%) of the Interbank Deposit Certificate (CDI) rate.

(**) Part of these funds refer to advance donations of financing under our responsibility (see Note 8).

4 Other accounts receivable

As at 31 December 2022, the other accounts receivable consist of advance payments to employees and suppliers - purchase of fixed assets (chairs) and communication services (Facebook) and maintenance of air conditioning units.

5 Prepaid expenses

As at 31 December 2022, the prepaid expenses originated from the advance payment of rent and D&O liability and property insurance.

6. Fixed and intangible assets

	<u>2022</u>			<u>2021</u>	Annual depreciation / amortization rates (%)
	<u>Cost</u>	<u>Annual depreciation / amortization</u>	<u>Net</u>	<u>Net</u>	
Movables					
Drone	5,500	(3,174)	2,326	3,426	20
Furniture and fixtures	169,144	(128,783)	40,361	47,495	10
IT equipment	432,217	(244,322)	187,895	215,197	20
Telecommunications equipment	102,674	(25,036)	77,638	41,481	10
Electronic devices	29,914	(20,079)	9,835	13,240	20
	<u>739,449</u>	<u>(421,394)</u>	<u>318,055</u>	<u>320,839</u>	
Intangible assets					
Software	101,275	(71,175)	30,100	45,371	20
	<u>840,724</u>	<u>492,569</u>	<u>348,155</u>	<u>366,210</u>	




Notes to the financial statements
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The changes in fixed and intangible assets were as follows:

	<u>2022</u>	<u>2021</u>
At beginning of year	366,210	238,599
Acquisition of assets	99,266	214,165
Write-off of assets	(47,389)	(21,751)
Assets adjustments	(18)	-
Write-off of donated asset	33,848	-
Depreciation	(88,490)	(64,803)
Amortization	(15,272)	-
At end of year	<u>348,155</u>	<u>366,210</u>

In 2022, a review of the assets was carried out in order to balance the management and accounting controls. This review did not affect the financial income, since the write-offs and adjustments were made through a physical report provided by AFIXCODE to update the assets according to accounting standards established by NBC TG 1000.

There were adjustments in the balance of fixed assets related to depreciations in accordance with the technical report provided by AFIXCODE in 2022 to corroborate the managerial equity control in an amount without relevance to highlight.

7 Accounts payable

Refer mainly to charges related to the provision for vacation pay.

8. Advance donations

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

Of the total funds available in 2022, part was spent in this same year and part will be spent in 2023 to continue the contracted projects as shown below:

	<u>2022</u>	<u>2021</u>
Total revenues received	45,261,855	26,865,295
Spent in the year	12,456,161	9,626,764
Advances to the next year	<u>32,805,693</u>	<u>17,238,531</u>
About the advances to the next year:		
Unrestricted support	30,978,001	14,975,080
Restricted support (specific projects)	2,263,451	1,827,693



Notes to the financial statements
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9 Equity

Equity is presented in updated amounts and comprises the initial capital, increased by the amounts of the surpluses and reduced by any deficits that occurred. The incorporation of the result for 2021 was carried out in 2022, together with the surplus for the year computed in the same year.

In the event of the dissolution of Conectas, its equity must necessarily be transferred to a non-profit organization or organizations with similar purposes certified under the terms of Law No. 9,790/99.

In the event that Conectas loses the certification established in Law No. 9,790/99, all remaining assets acquired with public funds during the time when the certification was in effect shall be transferred to another organization certified under the terms of Law No. 9,790/99, preferably one that has the same purpose.

10. Expenses with activities

	<u>2022</u>	<u>2021</u>
Personnel expenses (a)	(2,024,112)	(1,575,711)
Services provided by companies (a)	(1,342,996)	(1,454,436)
Services provided by individuals (a)	(31,839)	(29,507)
Depreciation and amortization (a)	(103,761)	(81,728)
Other general expenses (a)	(362,068)	(152,921)
Other operating expenses (a)	(13,560)	-
Volunteering (b)	(2,677)	(732)
Tax expenses (c)	(221,139)	(39,189)
Recovery of expenses (d)	177,839	128,065
Costs with theme areas/initiatives (e)	(9,400,427)	(5,967,844)
Total	(13,324,740)	(9,174,003)

(a) Ongoing expenses

They are expenses related to the basic areas of the organization, namely: administrative and financial, fundraising, communication and institutional development; these areas support the programs (thematic areas) of Conectas and handle general institutional matters (governance, people management, relationship with grantees, institutional communication, etc.). The balance shown in the Other Operating Expenses line above is explained by the contracted and reported review of assets, in which we identified adjustments that were necessary, but immaterial, for the individual management control of assets (see Note 6).

(b) Fair value of voluntary and donated services

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



Notes to the financial statements
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	<u>2022</u>	<u>2021</u>
Volunteers		
Theme areas	2,677	732
Total	<u>2,677</u>	<u>732</u>

These amounts were recognized in the statement of surplus as “Revenue from volunteers”, with a corresponding entry in “Expenses with activities”.

The fair value of the volunteer work described above is presented in accordance with Interpretation ITG-2002 (R1 - 2015) resulting from CFC Resolution No. 1409/12. The fair value was determined from the amount that Conectas would be willing to pay a third party to perform the same service provided by the volunteers. Accordingly, management made its best fair value estimate based on the information provided by the service provider, since, in general, they also provide the same service to other organizations, 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.

(c) Tax expenses

Tax expenses are basically comprised of income tax on financial investments, from automatic redemptions at the end of the investment period of Bank Deposit Certificates (CDBs) or withdrawals to cover cash flow, as well as IOF financial transaction tax on forex operations for the receipt of funds and COFINS social security tax on financial investments (see Note 13).

(d) Recovery of expenses

Conectas and Instituto Pro Bono (CNPJ No. 04.613.118/0001-46) have a Memorandum of Understanding in which Conectas supports Instituto Pro Bono by sharing the space and receives a reimbursement of part of the monthly operating expenses.

(e) Theme areas

	<u>2022*</u>	<u>2021</u>
Combating Institutional Violence	(1,784,800)	(1,503,442)
Strategic Litigation	(1,403,357)	(1,069,643)
Strengthening Democratic Space	(3,062,520)	(1,803,512)
Development and Socioenvironmental Rights	(3,149,751)	(1,591,247)
Total	<u>(9,400,427)</u>	<u>(5,967,844)</u>

(*) Represented by:




Notes to the financial statements
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Theme areas	Initiative	2022
Combating Institutional Violence	Persons Deprived of Liberty	535,665
	Oversight of Law Enforcement and Use of Force	483,880
	Drug Policy	454,346
	Gun Control	310,909
	Subtotal	1,784,800
Strategic Litigation	Strategic Litigation	1,403,357
	Subtotal	1,403,357
Strengthening Democratic Space	Defense of Civil Society	653,723
	Migration and Asylum	330,811
	Religious Mobilizations and the Rights Agenda	276,281
	Defense of Racial Affirmative Action	321,396
	Advocacy	967,431
	Sur Journal	410,551
	Discussions on Possible Futures: Is there a 'New Normal'?	102,326
	Subtotal	3,062,519
Development and Socioenvironmen tal Rights	Financing for Development	877,212
	Impacts of the Extractive Industry	1,029,396
	Combating Contemporary Slavery and Precarious Work	545,759
	Climate Justice	697,384
	Subtotal	3,149,751
Total		9,400,427

DESCRIPTION OF THE PROGRAMS
(unaudited descriptive information)
COMBATING INSTITUTIONAL VIOLENCE
Persons Deprived of Liberty

Brazil has the world's fourth largest prison population and this situation has not changed for years. Conectas has a long history of pressuring for change in the country's prison system. Using national and international strategic litigation, research, regular inspections of prisons and political and legal advocacy, Conectas seeks to hold accountable public officials who violate rights and to call for the improvement of transparency and control mechanisms in detention facilities.

For example, we organized and embarked on a mission with partners to inspect and collect data from the Prison Complex of São Luís (Pedrinhas). We held meetings with the Public Defender's Office and other organizations to discuss individual cases of serious violations that were identified during the visit. In addition, we sent an inspection report on the conditions inside the prison to the Inter-American Court of Human Rights.

In August, we participated in the international seminar on good practices for the inclusion of ex-prisoners in the labor market and we also attended meetings of the Criminal Justice Network.

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The organization also closely followed the discussion in the Supreme Court on the changes made by President Jair Bolsonaro to the MNPCT (National Mechanism to Combat and Prevent Torture). In a public statement, Conectas warned that the changes represented a setback in the fight against torture in the country, and that the MNPCT is an extremely important mechanism for preventing and combating the practice of torture in detention facilities.

Also on the subject of the MNPCT, Conectas joined other organizations to denounce the dismantling of the system to combat torture in Brazil at a meeting held at the UN. The organizations denounced the reduction of the budget allocated to the mechanism, as well as the failure to appoint its members.

Conectas also drew attention to the visit of a UN working group to Brazil to assess the fight against torture in the country. In an article published on its website, the organization highlighted the importance of the visit in view of the setbacks that have been observed in recent years, and it reinforced the need for a real commitment from the Brazilian government to combat this practice.

Oversight of Law Enforcement and Use of Force

Conectas defends a profound change in law enforcement. It denounces abuses committed by law enforcement officers and seeks to hold the State accountable for inaction or even collusion with violent acts committed by its armed wing against its citizens. Conectas also draws on international standards to produce studies and make proposals for institutional change that encourage good practices related to mechanisms for the external oversight of law enforcement.

One of the actions last year was the federalization of the case of Parque Bristol, a shooting that took place within the context of the “Crimes of May” in 2006, which was ordered by the Superior Court of Justice. Conectas filed the request for federalization in 2009 and has been accompanying the case ever since. The Inter-American Commission on Human Rights also accepted the complaint of enforced disappearances related to the Crimes of May and Conectas issued a technical report on specialized treatment for victims of state violence.

The ADPF Favelas Case also featured prominently among the activities of Conectas in 2022. The Supreme Court ordered the State of Rio de Janeiro to present a plan to reduce police lethality. However, civil society contested the plan and asked the Supreme Court to not accept it, presenting the criteria that should be considered by the plan. There has been some back and forth regarding this plan, and its current state is still uncertain.

Conectas highlighted the importance of cameras on police uniforms to reduce police lethality. The issue was addressed during the election campaign in São Paulo, and in Rio de Janeiro Conectas asked the Supreme Court to require the installation of cameras within 15 days.

Another important action was the Technical Report on Military Justice, released in partnership with the Diversity Committee of the Getúlio Vargas Foundation (FGV Diversidade). The initiative was intended to expose the problems of the Military Justice system and highlight the cases pending in the Supreme Court that moved forward in 2022.

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In addition to this, Conectas also worked on the case of Vila Cruzeiro and Genivaldo. The organization issued a public statement in May 2022 and, together with partners in the case, sent an official letter to the CNDH (National Human Rights Council), the IACHR and the UN in June 2022. A representation petition was filed with the Federal Prosecutor's Office in June 2022 and another petition linked to the Vila Cruzeiro case was submitted to the CNDH on June 1, 2022.

Drug Policy

For years now, Conectas has been denouncing the limitations and impacts of Brazil's 2006 Drug Law, particularly its effect on the criminal justice system. Together with a broad network of civil society organizations, Conectas conducts research, engages in legislative advocacy to prevent further setbacks and proposes measures aimed at decriminalizing the use or regulating the production, sale and consumption of certain substances. It also uses international mechanisms to lodge complaints and encourage ongoing public debates with different sectors of society.

In 2022, Conectas' Drug Policy initiative developed activities related to Therapeutic Communities. The organization published a new report on the funding of these communities, highlighting the lack of transparency and standards in public policies. Conectas also staged a virtual event to launch the report, with the presence of experts and representatives of civil society organizations.

The organization also participated prominently in the UN, making a statement about the lack of monitoring of the activities of Therapeutic Communities in Brazil. Conectas pointed out that these institutions lack scientific backing and often violate human rights.

The activities developed by Conectas on the topic of Therapeutic Communities had repercussions in the national and international press, helping raise awareness about the problems of these institutions.

Gun Control

In 2022, Conectas organized various activities as part of its Gun Control initiative. One of them was the "Elections without political violence" campaign, which aimed to draw the attention of society and the authorities to the importance of avoiding political violence during the elections.

One of the symbolic cases used in the campaign was that of the treasurer of the Workers' Party (PT), who was the target of an attack with a firearm during the 2022 election campaign. Conectas highlighted the need to promote disarmament and gun control to avoid this type of situation.

Another important action by Conectas in 2022 was in relation to gun control on election days. The organization applauded the decision of the Superior Electoral Court to ban so-called CACs (collectors, sports shooters and hunters) from transporting guns and ammunition during elections in order to avoid potential conflicts and political violence. Conectas highlighted the importance of moving forward with gun control measures to guarantee the security of the election process and democratic integrity.

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STRENGTHENING THE DEMOCRATIC SPACE

Defense of Civil Society

Conectas works to denounce and roll back attempts to criminalize and limit the activities and the very existence of human rights organizations, movements and defenders, in particular the use of restrictive legislation and policies.

A strong commitment in Brazil is complemented by actions of solidarity with partners in countries that also suffer similar threats.

The most prominent activities were related to defending the electoral system against unfounded attacks and misinformation. Conectas, together with other organizations, recommended improvements in the policies of digital platforms to protect the integrity of the Brazilian election process, and it also called for technology companies to take action to combat disinformation and political violence. Meanwhile, a Brazilian delegation visited the United States to warn about threats of not recognizing the results of the election.

Also on this issue, Conectas made an international complaint to the UN stating that the Brazilian electoral system is under attack.

Another concern of this initiative was surveillance spyware. On this topic, Conectas denounced Brazil in the UN for proposed anti-terrorism legislation that could criminalize activism. UN experts have expressed concern over this proposed legislation.

Migration and asylum

In 2021, Conectas continued its efforts to protect the rights of migrants and refugees in Brazil. This was done mainly through the protection provided by the already existing Migration Law and by barring government actions that violated the rights of these groups.

One of the actions was the condemnation, together with other organizations, of President Jair Bolsonaro's statements about Venezuelan girls. The organization defended the protection of the human rights of the girls and condemned the president's comments.

In addition, Conectas and the National Council for Human Rights (CNDH) made a joint visit to the state of Roraima to monitor the situation of migrants and refugees in the country. As a result of this visit, the CNDH issued a series of recommendations to guarantee respect for the human rights and dignity of these people inside Brazil.

The organization also closely monitored the difficulties faced by Afghans in obtaining humanitarian visas to enter the country. Conectas stressed the importance of granting these visas to guarantee the protection and well-being of Afghan refugees seeking shelter and safety in Brazil.

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Religious Mobilization and the Rights Agenda

Conectas works to defend a Secular State, freedom of religion and religious pluralism. In 2022, we organized several activities as part of its initiative on Religious Mobilization and the Rights Agenda. One of the actions was a report sent to the UN Human Rights Council, which resulted in seven human rights recommendations made to Brazil during the Universal Periodic Review (UPR), including one recommendation on the need to protect freedom of religion and belief.

In addition, the organization staged debates to combat religious racism, with live broadcasts. At the 51st session of the UN Human Rights Council, Conectas and other organizations called on Brazil to play an active role in combating religious racism.

Another important action was a report on religious racism submitted to the Committee on the Elimination of Racial Discrimination (CERD). Conectas also participated in the 185th Period of Sessions of the Inter-American Commission on Human Rights (IACHR), in a thematic hearing on the situation of religious freedom in the region.

Defense of Racial Affirmative Action

Conectas works actively in the Defense of Racial Affirmative Action. In 2022, Conectas, in partnership with the Black Coalition for Rights, submitted a report to the UPR (Universal Periodic Revision) presenting the racial affirmative action policies developed in Brazil. The objective was to show the positive impact of these measures in the fight against structural racism and to promote their continuity.

The company Magazine Luiza in 2020 was the target of a Public Civil Action lawsuit due to the creation of an exclusive trainee program for black people. Conectas served in the case as an amicus curiae, offering insights for the defense. In November 2022, the courts of the Federal District dismissed the lawsuit, allowing the company to continue to implement measures to combat racism and promote the inclusion of black people in its team.

These initiatives demonstrate the important role played by Conectas in promoting racial affirmative action policies in Brazil, thereby contributing to the reduction of inequalities and the combat of structural racism.

Sur Journal

The goal of **Sur – International Journal on Human Rights** is to influence the global human rights agenda by producing, promoting and disseminating research and innovative ideas, primarily from the Global South, on the practice of human rights.

Issue number 32 attempts to answer the question about the possible futures for the human rights movement in the midst of a global political, economic and health crisis, addressing important topics that challenged or at least tested the limits of some of the categories used in our call for

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papers: power, disinformation and “post-pandemic” are some examples. We believe we have brought together an important and diverse group of academic experts, international organizations and civil society actors, who all made valuable contributions to the debate about the reconfiguration of global power, the role of technology and disinformation in democratic processes and, finally, on the structural challenges that this situation poses for human rights organizations.

DEVELOPMENT AND SOCIOENVIRONMENTAL RIGHTS

Financing for Development

Conectas conducts monitoring and advocacy activities that are aimed at raising the accountability of institutions that finance development and at promoting reforms in the institutional and regulatory framework that governs the actions of these organizations.

In the context of the initiative called “Eyeing the OECD”, Conectas asked the Organization for Economic Cooperation and Development (OECD) to demand high environmental and social standards from Brazil, which, it said, has been making setbacks in terms of environmental and human rights policies. Joining the OECD would be an opportunity for the country to engage with these issues. In addition, Conectas conducted research to identify gaps in environmental governance and human rights in Brazil, which were released in a joint report with other organizations.

The organization also participated in a civil society initiative to demand more climate commitment from the Brazilian Development Bank (BNDES). Conectas and other organizations published an open letter to the bank asking for a review of its financing policies and the establishment of clear targets to reduce greenhouse gas emissions and promote sustainable development.

These activities show our engagement with socioenvironmental and human rights issues, as we seek to pressure the authorities and institutions to assume more ambitious commitments **in relation to these topics**.

Impacts of the Extractive Industry

Conectas believes that the United Nations Guiding Principles on Business and Human Rights are an important tool for protecting human rights and promoting corporate responsibility. We work to raise awareness about the principles and pressure the Brazilian government to implement them, while also exposing the situation in the country at international forums.

Conectas, in partnership with the Arns Commission, denounced the lack of commitment by the Brazilian government to investigate the disappearance of Bruno Pereira and Dom Phillips. Both were human rights activists and defenders of the Amazon rainforest, and they disappeared while documenting illegal deforestation activities in the region.

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The organization also focused its efforts on protecting indigenous, quilombola and traditional peoples who have been threatened by mining projects on their lands. In a complaint made to the UN, Conectas warned about the risks of the proposed legislation that would allow mining on indigenous lands in Brazil, highlighting the serious environmental and social consequences of this permission.

Conectas also accompanied the request by Brazilian indigenous groups for effective measures to protect the forest and the peoples of the Amazon. Against a backdrop of rising deforestation and environmental degradation, the organization defended the importance of preserving forests and biodiversity for the well-being of local communities and for the ecological balance of the planet.

Finally, Conectas interviewed the coordinator of the National Coordination of Black Rural Quilombola Communities (Conaq), who highlighted how the government has undermined all initiatives that strengthen life and quilombola communities in Brazil. The coordinator highlighted the importance of public policies that guarantee the rights of quilombola communities, which face a series of challenges ranging from lack of access to basic services to the constant threat of violence and eviction.

Combating Contemporary Slavery and Precarious Work

In combating contemporary slavery, Conectas works through partnerships with local workers organizations. Together with these organizations, Conectas monitors Brazilian policies and works nationally and internationally to prevent setbacks.

In one of its actions, the organization mobilized candidates for political office to sign a letter of commitment against slave labor. The initiative was intended to raise awareness among candidates of the importance of fighting this criminal practice and to engage them in the cause.

Conectas also participated in the launch of a report on the system to combat contemporary slavery in partnership with other organizations. The event was broadcast online and attended by experts and civil society representatives.

The report presented proposals for strengthening the system to combat contemporary slavery in Brazil, including the creation of mechanisms to prevent and combat the practice and measures to guarantee protection and reparations for victims.

In summary, Conectas organized important actions in 2022 to combat contemporary slavery in Brazil, ranging from political mobilization to the proposal of measures to strengthen the system to combat the practice.

Climate Justice

Conectas seeks an alignment of political, economic and social processes with the commitments to reduce greenhouse gas emissions and combat climate racism.

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The organization monitored the Green Package and made advances in climate litigation, which was featured in the media. While the Supreme Court was voting on the Green Package, Conectas and other organizations submitted a report to the UN on deforestation in Brazil. In addition, Conectas noted that the Supreme Court had formed a majority to require the federal government to reactivate the Amazon Fund, a case in which the organization participated as an amicus curiae.

Another important activity organized by Conectas was the participation in COP27 in Egypt. The organization highlighted the importance of indigenous peoples on the front line against deforestation and the need to support indigenous communities struggling to protect the environment. Conectas also highlighted the importance of governments and companies taking responsibility for protecting the environment and combating climate change.

Conectas also filed a lawsuit against BNDESPar, a subsidiary of the Brazilian Development Bank (BNDES), calling on the company to commit to climate targets. The organization highlighted the importance of the financial sector taking responsibility for greenhouse gas emissions resulting from the investments they make, and the need to take concrete actions to combat climate change.

International advocacy

The international work of Conectas involves monitoring Brazilian foreign policy, building international solidarity, engaging international mechanisms and expressing the voice of the Global South in international forums. Brazilian foreign policy has changed profoundly, assuming a position in international forums against the rights of women and the LGBTI+ population. In this context, Conectas has worked to give visibility to these positions taken by the representatives of Brazil in international forums, particularly in the sessions of the UN Human Rights Council.

One of its main activities was training organizations in Brazil on the use of international human rights mechanisms. Through the training of Universal Periodic Review (UPR) multipliers, Conectas selected students from the north of the country to receive training in the UN review process.

In the fourth cycle of the UPR, Conectas, working in conjunction with the UPR Brazil Group, identified setbacks in human rights recommendations on which Brazil will report to the UN in 2022. Moreover, it compiled 7 human rights recommendations made to Brazil during the UPR.

Conectas also featured in the work on the Committee on the Elimination of Racial Discrimination (CERD), in which it discussed what the UN says about the measures adopted in Brazil to combat racism.

STRATEGIC LITIGATION

As is clear from the examples of our work in all our areas of activity, Strategic Litigation is a tool used by all the programs, both proactively and reactively, in collaboration with other organizations in the field and in an agile manner.

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In 2022, Conectas played a significant role in the field of strategic litigation, seeking to promote structural and lasting changes in the defense of human rights. Prominent among its initiatives was the Litigators of the Future project, which aims to train a new generation of lawyers committed to the struggle for human rights.

Through a public notice, Conectas selected university legal clinics that work on the defense of human rights to participate in the project. The selected clinics received training in strategic litigation and had the opportunity to participate in legal cases on the defense of human rights in Brazil and Latin America.

Through the Litigators of the Future project, Conectas aims to strengthen the defense of human rights by training new leaders committed to the cause. The project contributes to building a fairer and more egalitarian society in which human rights are respected and protected.

In all, Conectas worked on 58 cases in 2022, of which 19 were completely new.

DISCUSSIONS ON POSSIBLE FUTURES: IS THERE A ‘NEW NORMAL’?

Conectas hosted the reflection-to-action meeting “Exchanges on possible futures: Is there a ‘New Normal’?” in the city of São Paulo, in August 2022. It brought together a group of around 20 representatives of organizations from the Global South and guest experts for a discussion on the impacts of recent events during the pandemic on the work of human rights organizations. There were three main topics of conversation: new configurations of power between States, disinformation challenging human rights and organizational structures within NGOs. One of the main conclusions was the need to encourage more such dialogue meetings to reconnect groups from the Global South and redesign transnational solidarity actions.

11 Financial income

	<u>2022</u>	<u>2021</u>
Income from financial investments	4,348,740	989,609
Other financial income	1,221	8
Bank expenses	(6,507)	(1,846)
Other financial costs	-	(58)
	<u>4,343,454</u>	<u>987,713</u>

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

Non-profit organizations are entities that do not present a surplus in their accounts or, if they do present a surplus in a given fiscal year, they allocate it fully to the maintenance and development of their social objectives, provided all other legal conditions are met.

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Conectas meets the legal requirements and is therefore exempt from Income Tax (based on article 150 of the Brazilian Constitution), as well as the CSLL social contribution tax on any surplus and the COFINS social security tax on revenue in accordance with Provisional Measure (MP) No. 2,158-35, article 14, item X, which establishes, for taxable events as from 1 February 1999 that revenues referring to the activities of cultural institutions, as defined in article 15 of Law No. 9,532/97, are exempt from the COFINS tax. In accordance with the disclosures required by NBC ITG - 2002 - “Non-Profit Organizations”, if the organization is not exempt, the rates in effect would be 9% (CSLL), 7.6% (COFINS), 1.65% (PIS on Billings) and 15% (Income Tax). Conectas is certified as a Public Interest Civil Society Organization (OSCIP), through an order by the National Justice Secretary published in the Official Federal Gazette on 7 November 2003.

13. Legal claims resulting from tax liabilities

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

Law No 10,637/02, in article 8, and Law No. 10,833/03, in article 10, meanwhile, establish that tax-exempt organizations are subject to the PIS and COFINS cumulative system. (Under the non-cumulative system, PIS and COFINS taxes are levied at a higher rate but can be offset with tax credits. Under the cumulative system, a lower rate is charged, but there are no tax credits.)

Therefore, since they do not have any specific tax treatment, tax-exempt organizations like Conectas are subject to the non-cumulative system and should therefore have their financial revenues taxed according to Decree No. 8,426/2015, at the rates of 0.65% (PIS) and 4% (COFINS). Considering that, according to article 13 of Provisional Measure No. 2,158-35/01, tax-exempt organizations 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 exemption, supported by article 195, paragraph 7, of the Brazilian Constitution, and article 3 of Law No. 8,742/93 (Organic Social Services Law - LOAS).

Nevertheless, Conectas made a provision of R\$248,539 (in 2021 - R\$129,848), on the balance sheet under non-current liabilities - “Court Deposits”, while it awaits the outcome of the legal challenge.



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14 Other information

- (a) In the years ended 31 December 2022 and 2021, Conectas did not have derivative financial instruments;
- (b) Conectas 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 had D&O liability insurance since 26 February 2016, which covers payment of losses and damages owed to third parties as a result of alleged wrongful acts for which it is responsible, and for which it receives a claim or is notified during the term of the policy or, when contractually agreed, on an earlier date within the retroactive period of the policy, provided that the policyholder had informed the insurer during the term of the policy and that the third party had filed their claim during the term of the policy or during the complementary or supplementary period if this was purchased by the policyholder. The scope of the coverage is global, with the following additional coverage:
- Coverage for legal, administrative or arbitration proceedings, including but not limited to civil, consumer, social security or criminal liability;
 - Costs of investigation conducted by a governmental body;
 - Claims related to tax liability;
 - Employment Practices Liability (EPL);
 - Errors and omissions in the provision of professional services and product failure;
 - Defense costs in the event of fines and penalties;
 - Prosecution costs;
 - Blocked or frozen assets;
 - Claims by an insured person;
 - Claims by the insured or outside organizations;
 - Costs incurred in extradition proceedings;
 - Claims for material and bodily damages;
 - Claims for moral damages;
 - Automatic coverage for new subsidiaries;
 - Coverage for existing proceedings against the company that are refiled, during the term of the policy, against the managers on account of the piercing of the corporate veil;
 - Defense costs for claims related to the granting of personal guarantees (sureties and trustees);
 - Emergency costs;
 - Protection of personal reputation (advertising expenses);
 - Coverage for disqualification;
 - Extraordinary events with regulators;
 - Crisis management.

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15. Subsequent events

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

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Executive Director

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