

2019

INTEGRATED REPORT





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## ABOUT THE REPORT

TOTVS has been publishing its Integrated Report since 2016. This edition traces the evolution of the company's business, commitments and key results between January 1, and December 31, 2019, covering all TOTVS operations in Brazil and abroad (find out in detail the economic group of the organization, accessing item 15 of the Reference Form). In its fourth edition, the report was prepared voluntarily according to the International Integrated Reporting Council (IIRC) and Global Reporting Initiative (GRI) guidelines in the Core option. TOTVS became a signatory to the UN Global Compact in 2014 and, as such, also includes in this report its strategy and results in line with the 10 Principles of the UN Global Compact and Sustainable Development Goals (SDG). [GRI 102-1, 102-46, 102-50, 102-54](#)

This report was prepared based on the priority issued identified in the materiality process conducted in 2017, which included interviews with the company's leadership and market specialists, as well as online surveys among TOTVERS, clients and vendors, and which was complemented by the TOTVS Environmental, Social and Governance Working Group (ESG WG) in 2019. During the year, the ESG WG held seven meetings in which action plans were established that make up the company's Sustainability Agenda. To build, prioritize and validate the Agenda, TOTVS considered the UN Sustainable Development Goals (SDGs) and the results of materiality concluded by it in 2018. Based on these benchmarks, priority action plans were defined, which address the challenges, opportunities and feasibility of each action. [GRI 102-40; 102-42, 102-43, 102-44, 102-46](#)

The ESG WG had more than 50 representatives from over 35 areas and different hierarchical levels of the company who, in a participatory and collaborative manner, discussed, streamlined and defined the key elements of sustainability for TOTVS in the coming years. The group's membership was defined at each meeting, with members drawn from diverse disciplines according to the meeting agenda to enable productive discussions and the drafting of action plans. The next page shows the process of defining the Sustainability Agenda and its relation with the contents of this report. [GRI 102-40; 102-43, 102-44, 102-46](#)

In 2019, the company decided against publishing the Integrated Report as part of its process of maturation and internal improvements to the materiality and sustainability management processes. However, during this period it published its Communication on Progress (COP) to show its stakeholders the advances made in the Global Compact, which is available on its Investor Relations website and on the UN portal. To enhance its capacity to incorporate the demands of its stakeholders and establish the development journeys, the company understood that it was important to reflect on the processes and governance of the issue based on surveys conducted among its stakeholders in previous cycles, especially its employees, and the perception of representatives from all areas of the company to plan the key sustainability actions for the coming years. [GRI 102-51, 102-48](#)

As such, this report aims to strengthen TOTVS' relations with all its stakeholders - employees, shareholders, clients, franchises,

governments, communities, suppliers and startups. Each of these stakeholder groups has dedicated areas and specialized teams that manage the relationship and integration with other areas and stakeholders of the company. It is designed to communicate - in a transparent, concise and integrated manner - the commitments and results obtained in recent years and how the company is structured to sustain its next growth cycle.

[GRI 102-40](#)

The TOTVS 2019 Integrated Report represents the involvement of numerous professionals who dedicated themselves to obtaining the necessary information and analyzing the company in an integrated manner considering its economic, environmental and social aspects. It also showcases the innovation and technology initiatives aimed at the sustainable development of the company and the country.

The GRI, Global Compact and SDG indicators are distributed throughout the report, which follows the framework of the 6 Capitals of the IIRC (Financial, Human, Intellectual, Manufactured, Natural and Social and Relationship) and the Remissive Index is available on page 73.

For more information or clarifications about the contents of the report, please send an email to [ri@totvs.com.br](mailto:ri@totvs.com.br). [GRI 102-46, 102-53, 102-55](#)

<sup>1</sup> International Integrated Reporting Council. <sup>2</sup> Global Reporting Initiative.

## ABOUT THE REPORT

**FIGURE 1:** Process of defining priority issues and the Sustainability Agenda [GRI 102-42, 102-44, 102-46](#)



## SUSTAINABILITY AGENDA

Prepared in 2019, TOTVS' Sustainability Agenda reflects the company's commitments to sustainable development as well as its vision of how its business can positively influence society, both as an employer and as a social agent. The priority themes also reflect how technology can be a key element in widening access to knowledge and innovation. [GRI 102-44](#)



## MATERIALITY (2018) AND CORRELATION WITH THE SDGS

Materiality reflects TOTVS' alignment with the Sustainable Development Goals (SDGs) within the scope of its operations and their positive impacts on society. As a technology company, TOTVS has prioritized the following SDGs:

### 4 QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all



### 5 GENDER EQUALITY

Achieve gender equality and empower all women and girls



### 8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation



### 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns



### 17 PARTNERSHIP FOR THE GOALS

Strengthen the means of implementation and revitalize the global partnership for sustainable development



**FIGURE 2: Materiality (2018) and relationship with the SDGs** [GRI 102-43, 102-44, 102-46, 102-47, 103-1](#)

TOPIC	IMPORTANCE FOR TOTVS	STAKEHOLDERS IMPACTED GRI 103-1	RELATED ASPECTS AND INDICATORS	RELATIONSHIP WITH SDG
<b>Solutions based on science and information technology; creation and development of Brazilian technologies</b>	The market leader in Brazil and one of the three 3 leading players in Latin America, the only Brazilian company with its own ERP language and the first technology company to be included in the Ibovespa index. Through investments in research and development and new technologies deployed in 12 strategic segments of the economy, TOTVS generates income and royalties that remain within the country and drive the domestic economy. It is also engaged in the development of technologies and solutions related to the most modern trends such as Big Data, Mobile, Social Media, Cloud, Artificial Intelligence, Computer Vision, Virtual Reality and Augmented Reality, among others, and in training highly qualified professionals, thereby contributing to the progress of innovation in the country.	Clients Investors Startups TOTVERS Universities	GRI 102-2, 201-1, 203-1	SDG 9. Industry, innovation and infrastructure
<b>Relationship with clients</b>	With an installed base of approximately 40,000 clients and presence in more than 40 countries, one of the key characteristics of the company is the broad reach of its distribution model, which translates into strong presence, proximity, loyalty and partnership with its clients. The business model is customer-centric, which understands the unique characteristics and needs of each business directly (B2B - Business to Business) and also the needs of its end consumers (B2C - Business to Consumer), in order to increase the efficiency and profitability of its clients through technology and innovation that generate results and value for their business.	Clients Franchises TOTVERS	GRI 102-6, 102-43, 418-1	SDG 9. Industry, innovation and infrastructure
<b>Economic performance</b>	Brazil's largest technology company TOTVS' economic performance is directly linked to the results and impact of changes in the sector or global economy that are related to the company or its clients, and hence any growth or decline in the operations of the companies and sectors served by it directly reflects on its results. Its business is characterized by a highly fragmented client base, diversification of business sectors and geographical regions in Brazil, and the diversification of revenue sources. As a publicly-held company with a fragmented capital structure, its results are divided among thousands of investors, stimulating the capital markets and building the savings of Brazilians.	Suppliers Franchises Investors TOTVERS	GRI 201-1, 202-1, 203-1, 204-1	SDG 8. Decent work and economic growth
<b>Digital transformation and new business models</b>	The evolution to a new business model was successfully carried out by building the software subscription model of TOTVS which, combined with its maintenance model, represents a solid base of recurring revenues and high client renewal rates. New products and services, as well as integrated models (licensing and subscription), contribute to greater predictability, profitability and sustainability of the business, given the constant changes in the technological, market, legal and behavioral aspects of how software is developed and used, including aspects such as the adoption of an agile development model and the strengthening of open innovation in conjunction with the company's ecosystem.	Suppliers Franchises Investors TOTVERS	GRI 102-7, 102-8, 404-1, 404-3, 405-1, 418-1	SDG 4. Quality education SDG 5. Gender equality SDG 8. Decent work and economic growth

## ABOUT THE REPORT

TOPIC	IMPORTANCE FOR TOTVS	STAKEHOLDERS IMPACTED GRI 103-1	RELATED ASPECTS AND INDICATORS	RELATIONSHIP WITH SDG
<b>Quality of products and services</b>	Maintaining and improving the quality of services in a growing and highly competitive market. Actions, processes and projects related to maintaining and improving the quality of products and services developed and offered, and monitoring the perception of clients and the market on the subject.	Clients Franchises TOTVERS	GRI 102-2, 404-1, 404-3, 405-1, 418-1	SDG 4. Quality education SDG 5. Gender equality SDG 12. Responsible consumption and production
<b>Security, customer privacy and information management</b>	Confidential management of our clients' information is a matter of constant concern for the company. Brazilian and international regulations on this issue have evolved significantly in recent years, reflecting the need for continuously streamlining processes and formulating policies, control mechanisms and tools for data management and processing in accordance with applicable laws.	Clients Community Government TOTVERS	GRI 102-9, 102-11, 102-15, 102-29, 102-30, 102-31, 418-1, 419-1	SDG 12. Responsible consumption and production
<b>Relations with the government</b>	Constant communication and engagement with government authorities to improve the development environment for the software segment and the country in general, besides monitoring trends and risks related to future regulations and the impacts of new technologies.	Government TOTVERS	GRI 201-1, 201-4, 418-1, 419-1	SDG 12. Responsible consumption and production
<b>Business restructuring</b>	Cultural change to adapt to the new model of the digital journey, social and cultural trends, and market demands. It also reflects the impact of processes related to acquisitions and integrations, extraordinary businesses with review of portfolio and operations, and founder succession.	Clients Franchises Investors TOTVERS	GRI 102-2, 102-10, 404-1, 404-3, 405-1, 418-1	SDG 8. Decent work and economic growth SDG 12. Responsible consumption and production
<b>Transparency, relationship and engagement / loyalty in the ecosystem</b>	Transparent relations and communication with stakeholders and the value chain of TOTVS, especially in the innovation environment and with clients, drive the company's business and leverage its internal processes.	Clients Suppliers Investors Startups TOTVERS Universities	GRI 102-40, 102-42, 102-43, 102-44, 205-1, 205-2, 205-3, 419-1	SDG 17. Partnerships and means of implementation

## HIGHLIGHTS 2019 GRI 102-7



Recurring Revenue:  
R\$1.7 billion in 2019  
(+11.8% vs. 2018)



Net Revenue: R\$2.2 billion in 2019  
(+8.1% vs. 2018)



Adjusted EBITDA and Adjusted EBITDA Margin: R\$469.7 million and 20.6% in 2019  
(+35.4% and 410 bps vs. 2018)



Adjusted Net Income:  
R\$252.1 million in 2019  
(+83.9%)



R\$1.067 billion raised through follow-on offering to pursue new growth avenues



Acquisitions of Supplier and Consinco



Organic creation of *Techfin* division



Alliances with Rede, Moddo, VTEX, BV and Creditas



Market share growth from 49.6% to 50.2%

A TOTVS ACREDITA NO BRASIL QUE



New campaign “TOTVS believes in a Brazil that gets things done”



Successful CEO succession



1st software company in the Ibovespa index



Responsibility for Human Relations migrates from Executive Officer to Vice President

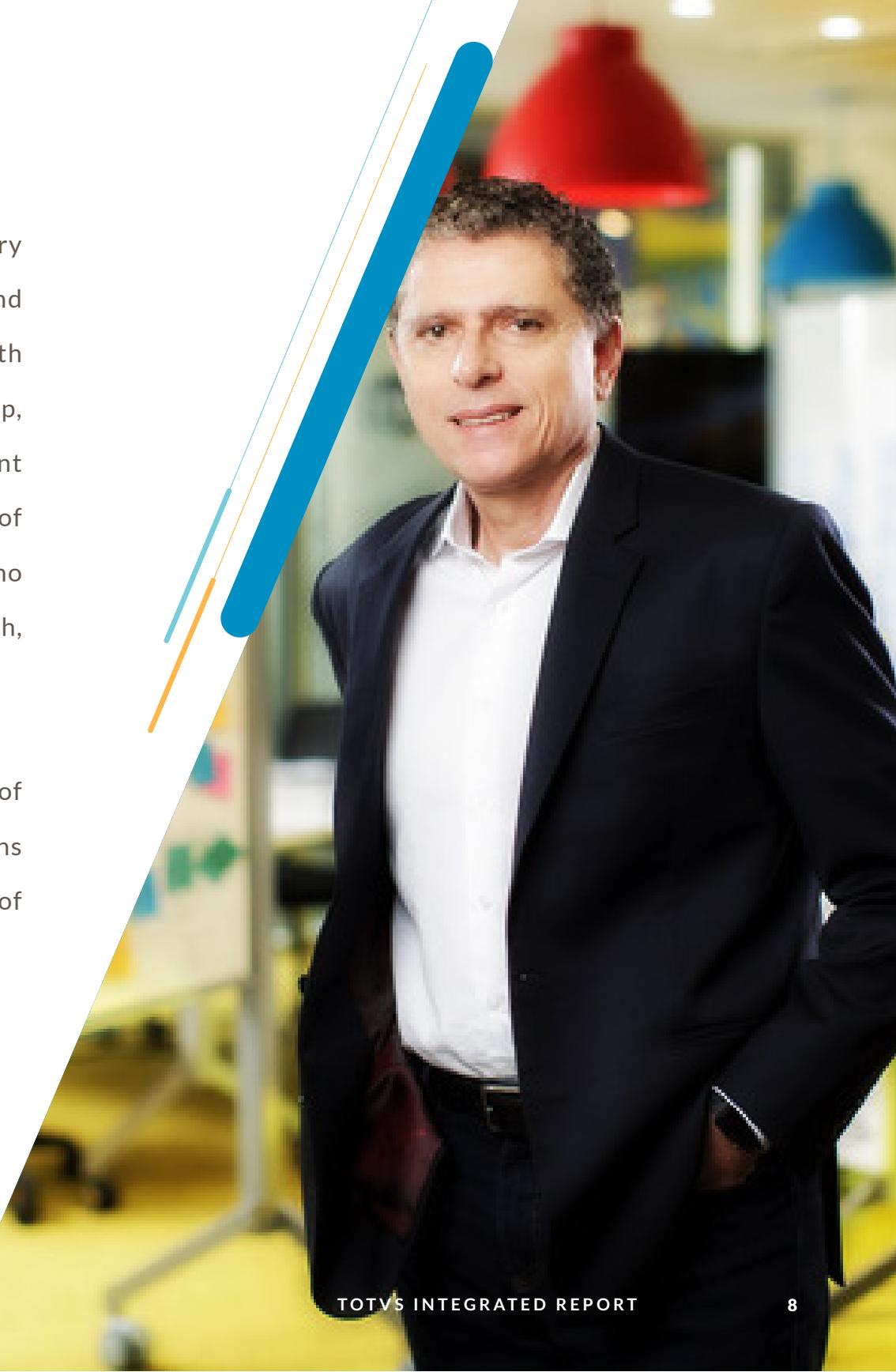


Multidisciplinary “Environmental, Social and Governance” Working Group (ESG WG) set up

## MESSAGE FROM THE BOARD OF DIRECTORS GRI 102-10; 102-14

As Brazil's biggest technology company and one of the leading global software developers, our history has always stridden side by side with entrepreneurs from all over Brazil - with companies of all sizes and in diverse economic segments - helping them to perpetuate their businesses by driving innovation, growth and competitiveness in Brazil. 2019 was another memorable year in this trajectory of entrepreneurship, pioneering spirit and determination in which we, justifiably, celebrated numerous achievements, significant transformations in our business and the successful CEO succession process. However, at this moment of deep consternation and respect at the start of 2020, our sincere thoughts are, first of all, with all those who lost their lives and their loved ones. We also wish to thank all those who worked on diverse fronts - health, research, planning and care - to face this difficult moment caused by the pandemic.

In our initial message for this report, we highlight the implementation of new guidelines and strategic pillars of TOTVS in the period. One of these was our portfolio adjustment with the divestment of hardware operations while maintaining the focus and energy of our teams and resources on the software operation, the creation of the *Techfin* business division and the rollout of initiatives on the Business Performance front.



## MESSAGE FROM THE BOARD OF DIRECTORS

To open up new growth avenues, we reviewed our M&A strategy and, in May 2019, held the follow-on offering which raised R\$1.067 billion. The successful operation capitalized the company for the new cycle of acquisitions. More than 60% of the proceeds went towards the acquisitions of Supplier, Consinco and Wealth Systems in order to expand to new markets and strengthen our core business.

We also continued to advance in our Governance structure, notably through the following initiatives: improvement of the Integration Program, Continuing Education and Evaluation Process of the Board; creation of Integrity Program, further underlining our commitment to a more ethical and fair market; and the review of corporate policies on issues such as Risk Management and Internal Controls, Information Security, Securities Trading, Treasury Management and Credit and Collections. We also set up the ESG (Environmental, Social and Governance) Working Group to further strengthen the business sustainability agenda and, as part of a strategic movement, repositioned the role of human relations by escalating the responsibility for the function from the Executive Officer to the Vice President of Human Relations. These initiatives strengthen our values and their dissemination across the company's production chain.

**In January 2020, TOTVS joined the Ibovespa index, becoming the first technology company to be included in the most important stock index in Brazil. This achievement is the result of the operational and financial performance during the period, the high liquidity of the company's securities, the strategy implemented and the commitment to the highest standards of corporate governance.**

These achievements fill us with pride and a huge sense of responsibility and TOTVS, as an important player in the Brazilian technology sector, and in light of this challenging scenario in 2020 - in a crisis unprecedented in the history of the planet and which, in a little more than six months has already affected almost all the countries, reiterates that it will strive incessantly to mitigate the potential impacts of the current crisis caused by COVID-19 on the company's business.

Business resumption will require correct planning and execution by companies and individuals in a market that will also bring more changes. The technology sector will, therefore, have an even more important role to play. And TOTVS is all prepared to offer the tools and solutions to help its clients in this process. We believe that technology will be fundamental to assist companies in overcoming this crisis we are going through and, in this regard, we reinforce our commitment to remain an important business partner for our thousands of clients. This is the force that drives us, the force of Brazil that gets things done.

Throughout our history, we went through other turbulent moments in the global and domestic economies. We always remained by the side and will remain together to recover economic growth and apply technology as a key component in the daily lives of people, companies and societies. We will emerge greater as a society and we, as a company, are ready to make our contribution, as we always have done.

**Laércio Cosentino**

*Founder and Chairman of the Board of Directors*

## MESSAGE FROM THE CEO GRI 102-14

Our message could not begin differently: we are all together in the fight against COVID-19 and, as we have always done, we will continue to firmly support companies and people for the development of Brazil. In these initial months of 2020, the world was severely affected by the economic, social and humanitarian crisis caused by the new coronavirus.

During this period, we took a series of preventive and mitigating measures in line with the guidelines established by health authorities to ensure the safety of our employees (TOTVERS) and the continuity of our operations. We kept our employees working from their homes, while maintaining customer service and assistance, we limited domestic travel to absolutely necessary cases and suspended international travel. The health of our employees, clients and partners has been - and is - our foremost commitment.

We set up a Crisis Committee that met on a daily basis to discuss the situations related to our operations and decided on the necessary measures at all spheres. The healthcare operator that serves TOTVS employees provided an exclusive telephone service for us. A *specific page*, was created to enable all stakeholders of the company to follow the developments of the pandemic and the actions taken on products and services so that our clients can adapt themselves to the scenario, such as changes in tax and labor obligations. We also provided clients and other stakeholders with free access to online training on TOTVS products and services. Our Board of Directors remained on alert, holding weekly and, subsequently, fortnightly meetings to monitor the crisis.

Until the publication of this report, the scenario in Brazil and around the world pointed to a strong economic downturn. We know that the impacts of COVID-19 will take some time to be absorbed completely. However, we are guided by the ability we always had to keep up with the changes and challenges that are part of Brazil's growth. Our business is part of the business of Brazil.

We are a company that entered 2020 with many good things to say. This report narrates the performance in 2019, when TOTVS reported several achievements and successfully developed an integrated business model that enabled it to add new areas and resume solid growth. After the first year of a successful transition at the helm of TOTVS, during which the founder's legacy was maintained, efforts continued to focus on supporting the daily operations of thousands of businesses of all sizes and sectors.



## MESSAGE FROM THE CEO

In 2019, TOTVS recorded double-digit growth in Recurring Revenue in all quarters, totaling R\$1.7 billion in the year, which corresponds to more than 75% of Total Net Revenue and organic growth of 11.8% from 2018. Total Net Revenue was R\$2.3 billion, an increase of 8.1% from the previous year. The Renewal Rates for customer contracts, which stood at around 99% per quarter, are another driver of our solid results. The management process at TOTVS also includes consistently disciplined management of costs and expenses, which, combined with the scalability of the software business, contributed to the 35% growth of EBITDA, equivalent to an increase of 420 basis points in Adjusted EBITDA Margin, which ended 2019 at 20.6%.

The company also continued its strategy of growth through acquisitions, a characteristic that has always guided great strides at TOTVS. The goal is to continue advancing in the construction of an ecosystem of solutions that covers three dimensions: (i) Management - with a portfolio of open, connected and customizable ERP, HR and Vertical solutions and platforms; (ii) *Techfin* - simplifying, expanding and making access to credit and other financial services cheaper; and (iii) Business Performance - building a portfolio that helps clients to sell more and better.

For this, in May 2019, it successfully carried out a follow-on offering raising R\$1.067 billion. The investments focused both on the core business of management systems and on new growth avenues. The acquisition of Supplier and the partnership with VTEX are part of the organic creation of our *Techfin* team. With the acquisition of Consinco, we strengthened our position in the Retail segment, especially the Supermarkets vertical, and advanced in the new Business Performance area.

The launch of the ***"TOTVS BELIEVES IN A BRAZIL THAT GETS THINGS DONE"*** sums up what for us is a mission: to support the growth of thousands of businesses and entrepreneurs throughout Brazil. Through our model of franchises and segmentation, we ensure proximity and identification with the realities and characteristics of each sector and region of the country. The expansion of services and products contributes to efficiency at all stages of our clients' operations. Innovation, which has always guided our trajectory, is today consolidated in a wide gamut of integrated solutions, with digital platforms, cloud services and a customer service model that ranges from the best sale option to the implementation, maintenance and upgrades of software and support services.

We also resumed Universo TOTVS, which featured around 4,500 participants a day, 60 exhibitors, 200 hours of events, 250 activities and important names in the technology sector. In the same vein, to strengthen the technology environment in Brazil, we participated in numerous activities that range from sector events to initiatives and support to strategies designed to increase the presence of youth and women in technology. Through the Institute of Social Opportunity (IOS), established in 1998, we offer training for youth from public schools and people with disabilities to prepare them for the labor market in the technology sector. In 2019, we trained a total of 2,250 students and helped 1,400 youth get their first job. Through iDEXO, we connect startups, entrepreneurs and developers to create new business solutions. IDEXO ended 2019 with more than 35 startups operating in 12 segments related to the operations of TOTVS and its clients.

All these achievements and the consolidation of a successful model, which makes TOTVS the largest technology company in Brazil, were only possible thanks to the commitment and capacity of our teams. They are highly professional people committed to transforming technology into a tool for the country's development. For 89% of them, it is a source of pride to work at TOTVS and 92% believe in the company's potential for success, which shows that we are on the right path.

**Technology played a pivotal role during the COVID-19 crisis. Thanks to technology, families and friends could be present during special and unique moments, logistics operations around the world could ensure supplies, or scientists from all over the world could collaborate in the search for solutions.**

We have always been focused on the country's development and we will jointly overcome this moment. We want to show our strength and genuine commitment to democratizing access to cutting-edge technology to companies of all sizes and segments, thereby helping them to be successful, overcome their obstacles and boost the sustainable development of our country. This is the force that moves us: Believing in a Brazil that GETS THINGS DONE, that innovates, that produces.

**Dennis Herszkowicz**  
*Chief Executive Officer*

# MANUFACTURED CAPITAL

*Physical, manufactured objects and assets available to an organization for use in producing goods or providing services, including: buildings, equipment, infrastructure, technologies, structure and the way it is organized to serve its clients*



# TOTVS

GRI 102-1, 102-2



Brazil's largest technology company



Approximately 40,000 clients in 41 countries



15 branches and 52 franchised territories in Brazil and 5 branches abroad



Business solutions for companies of all sizes



Management software, productivity, collaboration and innovation platforms, and consulting services for companies in 12 strategic sectors of the economy



Absolute leader in the small and medium business (SMB) market in the country



50.2% share of ERP (Enterprise Resource Planning) market in Brazil and among the TOP 3 in Latin America with 30.1% share



## MANUFACTURED CAPITAL TOTVS

Throughout its history, TOTVS has carved its niche as a company that develops technology to drive productivity and competitiveness in Brazil. Over these decades, it could follow the emergence, consolidation and, in many cases, profound changes in Brazilian companies and sectors. This success story is only possible thanks to the company's capacity to work closely with its clients to meet their needs and, backed by a strong tradition of entrepreneurship, pioneering spirit, innovation and tremendous determination, to offer the best business solutions for thousands of companies across Brazil.

TOTVS is headquartered in São Paulo and its branches and franchises are distributed all over Brazil, especially in leading business centers, to explore the economic potential and opportunities offered by diverse regions of the country. In Brazil, the company has 15 branch offices, 52 franchised territories and 10 development centers. Abroad, it has five units (Argentina, Colombia, U.S., Mexico and Portugal) and two development centers (U.S. and Mexico). GRI 102-3, 102-10

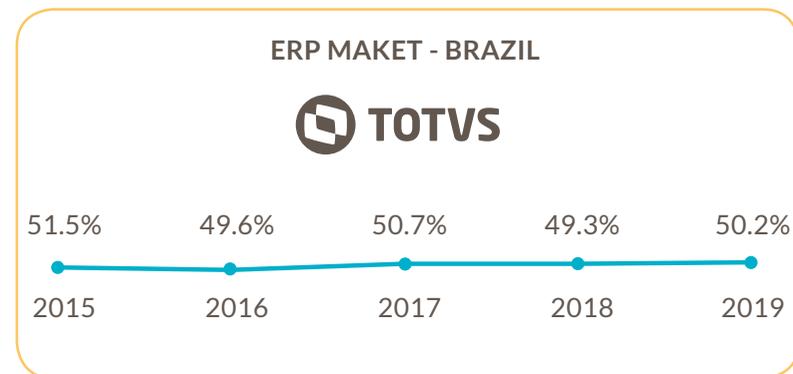
GRI 102-4, 102-6, 102-7



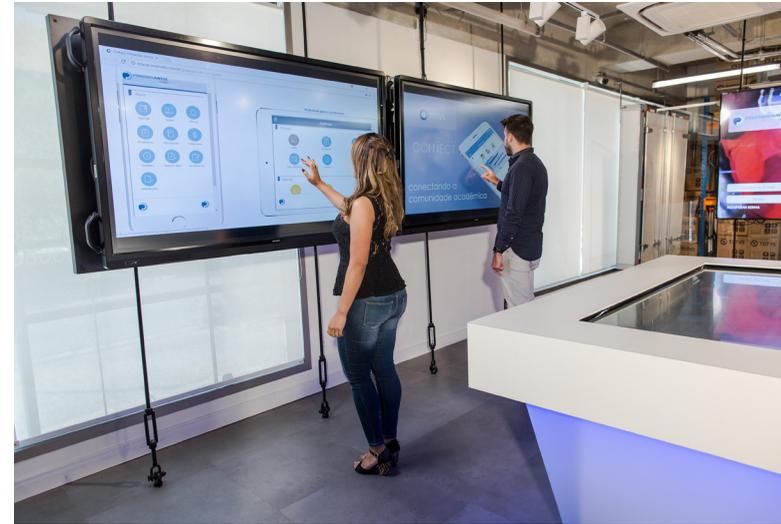
## MANUFACTURED CAPITAL TOTVS

### LEADERSHIP POSITION AND BRAND

Brazilian multinational leader in ERP in Brazil with 50.2% market share and among the 3 main players in Latin America with 30.1% market share, according to the study of the “Software Market Share Enterprise Application 2020” issued by Gartner. In the same period, the 2nd player in Brazil held a 22.9% stake. It occupies the 25th most valuable brand in Brazil in the Interbrand ranking for 2019, and ours is the only technology brand in that ranking, which it believes is a valuable asset that contributes to attracting new clients, as well as the best and most innovative tech professionals in the software industry.



The leadership position allows broad access to the various market segments in which it serves and enables the offer several products in a verticalized manner for both new and existing clients of all sizes, including cross-selling opportunities. The company also believes that its solid reputation has the ability to bring outstanding professionals, partners and clients to their open ecosystem, keeping pace with and integrating evolving demands while anticipating future trends.



### TECHNOLOGY AS A DRIVER OF ECONOMIC AND COUNTRY DEVELOPMENT

Technology is an extremely high value-added industry and has the potential to decisively contribute to sustaining new development cycles in Brazil, having a broad-ranging positive effect – on all supply chains. An increasingly digital, prosperous, productive, inclusive and sustainable Brazil: these are the guidelines that guide the development of business solutions.

TOTVS decided to focus its operations on 12 strategic segments of the economy, aiming to increase the efficiency and profitability of its customers through technology. This strategy has enabled the company to incorporate the best competencies into our portfolio, make our products more specialized and increasingly integrate our clients’ end-to-end value chains. The company structures its teams with specialized professionals for each of the segments, covering the needs of both its direct customers (B2B) and its final consumers (B2C) and estimates that the aggregate annual revenue of its customers represented at the end of 2018 approximately R\$ 1.6 trillion, about 25% of all Gross Domestic Product (GDP) generated in the country.

### SPECIALIZED AND DEVELOPED SOLUTIONS TO THE CHALLENGES OF 12 STRATEGIC SEGMENTS OF THE ECONOMY



**A BROAD, DIVERSE AND FLEXIBLE PORTFOLIO** GRI 102-2

The portfolio of products and services covers a complete horizontal offering with Management solutions, including ERP, HR, Segments and Innovation Platforms; *Techfin*; and Business Performance, including CRM and Analytics. TOTVS believes that our solutions are broad, diverse and flexible, handling and meeting the needs of all our clients in the most varied of segments. With solutions available in the cloud or on-premises, your solutions are scalable and modular and can be easily configured to enable specific functionalities for different business segments and sizes with consistent integration, democratizing access and use of technology for all its customers. The business fronts are divided into Management, *Techfin* and Business Performance solutions.



It comprises (i) back-office management solutions that are the basis of all business operations, integrating and facilitating communication between different departments, such as sales, finance, inventory and human resources, and enabling greater control and management of an organization's processes; (ii) HR solution for managing and developing human capital in a simple and agile way in all processes and with support for legal requirements and payroll processing, (iii) software solutions specialized for the needs of 12 economic segments, (v) innovation platforms, which includes the Carol Data and Artificial Intelligence Platform and Fluig Productivity and Collaboration Platform and (v) solutions targeted at micro and small businesses.



The *Techfin* portfolio includes technology and innovation to expand, simplify, and make cheaper companies' access to financial services. Provides smart and custom-made financial services, according to the profile of each business and the needs of the clients' financial journey, expanding the options to purchase inputs and better conditions to pay expenses. On the other side of the cycle, companies can sell in a simpler and more integrated way, while receiving more quickly and efficiently. The solutions are structured in order to maximize the advantage of technology, which transforms complex and bureaucratic processes into simple actions, enabling easy access to financial services. They are divided into 2 categories: (i) Credit, offering affordable and custom-made solutions that make access to credit for companies easier, and (ii) Payments, with integrated solutions of POS, TEF (Electronic Funds Transfer) and acquiring that make everything simpler and generate efficiency to make payment transactions easier.

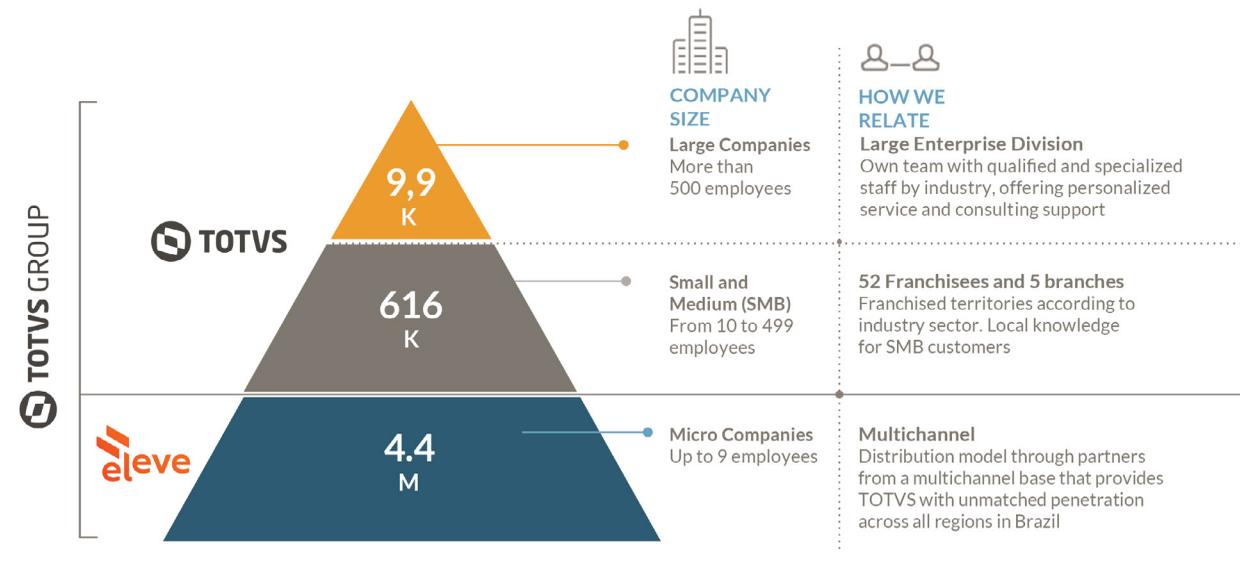


The Business Performance portfolio includes solutions to support different business areas to leverage their results and performance. It includes (i) E-commerce, with a unified commerce platform, (ii) CRM, a solution for pipeline management and commercial intelligence, (iii) Omnichannel, offering a solution for retail order management and (iv) Analytics, with data platform and structured business analysis.

Find out more details about the solutions offered by the company, accessing item 7 of the [Reference Form](#).

**CAPILLARITY AND PERSONALIZED SERVICE FOR COMPANIES OF ALL SIZES**

TOTVS is a global company present throughout the Brazilian territory and has customers in 41 countries, its structured in a robust distribution model with high capillarity, which has a local presence - via branches, exclusive franchises and multichannel - and a digital environment through the TOTVS Store, which allows the establishment of a digital channel of interaction with its customers, enabling the hiring and direct acquisition of one or more products, integrated or not, in a fast and simplified way, especially for cloud applications. Franchises are exclusive distribution channels and significantly contribute to the company's sales, especially in the small and mid-sized business market. Geographical areas for operating are defined for each franchise, in which exclusive rights are given for each sector of economic activity of the client (segment). In their regions of operation, franchisees are dedicated to originating new clients and sales, conducting demos of solutions (pre-sale, sale and post-sale), and implementing solutions directly for our customers.



**DIGITAL CHANNEL - TOTVSTORE**  
 TOTVS Store is the digital médium for interacting with customers, especially for cloud applications



**PRESENCE AND PARTNERSHIP IN ALL STAGES OF THE CUSTOMER JOURNEY CYCLE** GRI 102-2, 102-6

The clients' experience begins with the relationship with sales team - through its own channels, through franchises or digital service channels - which seeks to understand their profile and the environment in which their business is inserted. These teams are responsible for appropriately mapping and learning the clients' needs, which can be related to different aspects such as the automation of critical business processes such as accounting or human resources. They may also be bound to the challenges of the clients' and customers' core business such as student retention at a university, control of grain production in agribusiness, point of sale (POS) in a retail department store, automation of manufacturing processes in a factory. The initial customer service process aims to develop the architecture and specification of the most appropriate solution. TOTVS provides dedicated teams that are qualified to do this job, yielding end clients lower costs. Upon implementation of the solution, it offers full maintenance and support through experienced and centralized teams at TOTVS. Lastly, it also has an post-sales, with locally distributed teams focused on the client's ongoing needs. This sales force specializes in and is encouraged to provide the best cross-sell and upsell solutions to existing clients.

# CORPORATE GOVERNANCE



In 2006, when it launched its IPO, TOTVS became the first technology company in Latin America to join the Novo Mercado segment of B3. In 2019, the company's stock appreciated 125%, from R\$28.65 in January to R\$64.55 on December 30, 2019.

Recognized for its solid corporate governance practices, TOTVS has as a reference the "Code of Best Corporate Governance Practices" published by the Brazilian Institute of Corporate Governance (IBGC). Its practices include de Code of Ethics and Conduct, which binds 100% of its employees and the Board of Directors. It also has specific policies on Disclosure and Trading; Internal Controls; Risks; Related Party Transactions; and the Preparation and Publication of Standards. Click here for the [complete list of TOTVS' Bylaws, Policies and Charters](#). [GRI 102-25](#)

The company has a Board of Directors (with 85.7% independent members) and has four advisory committees, three of which are statutory: Audit, Strategy, Personnel and Compensation, and Governance and Nomination. It also has a Department of Internal Controls, Risks and Compliance, and an Internal Audit area. Read the [Charter](#) of the Board of Directors and its Advisory Committees to learn more about their functioning.

### FIRST TECHNOLOGY COMPANY TO BE INCLUDED IN IBOVESPA

On January 2, 2020, TOTVS was included in the Ibovespa index. Its pioneering spirit continues as it now becomes the first software company to be included in the most important stock index in Brazil. At the launch of the 2020 Ibovespa list, the company was ranked 57th in a portfolio consisting of 73 assets held by 70 companies. This achievement reflects the recognition of TOTVS' healthy results and value generated in 2019, as well as its leadership position resulting from its strategy, operational performance and high level of corporate governance.

### OWNERSHIP STRUCTURE [GRI 102-7, 102-45](#)

On December 31, 2019, the capital stock of the company was composed of 192,637,727 common shares.

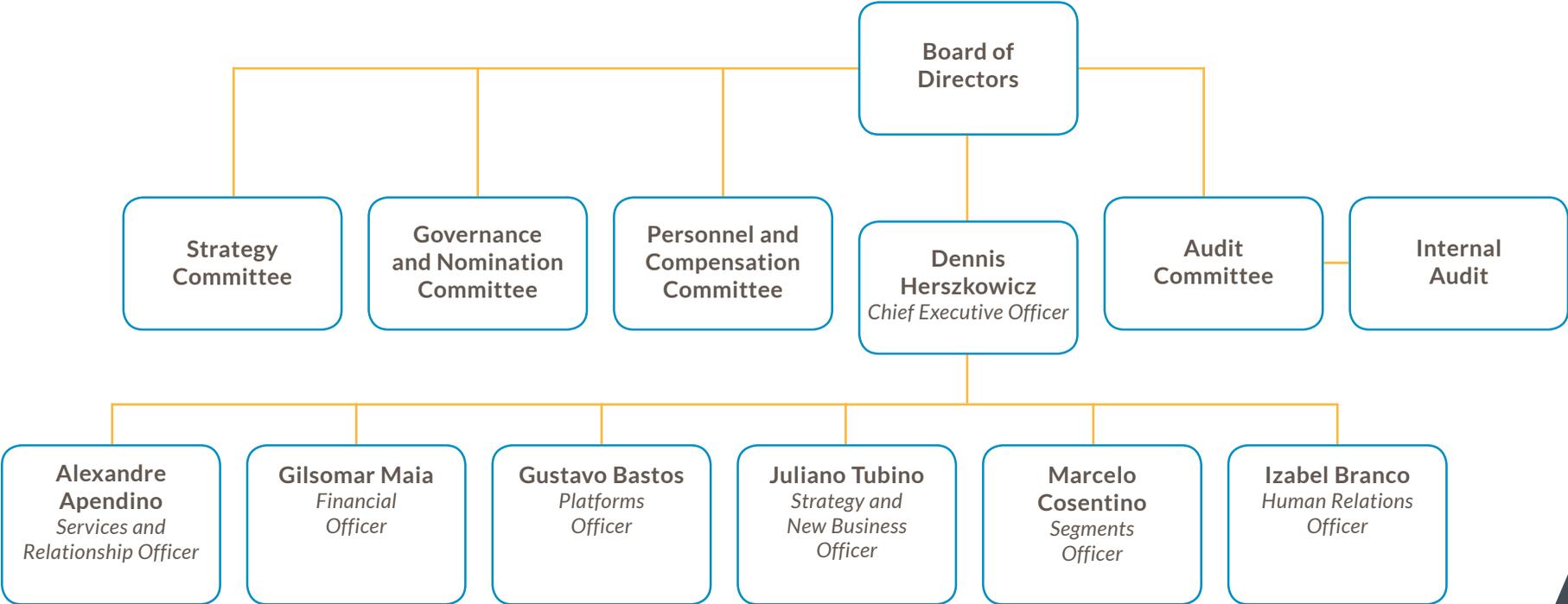
Shareholder	Shares	%
LC EH, Laércio Cosentino, Senta Pua e Ernesto Haberkorn <sup>3</sup>	28,910,710	15.01%
GIC Privated Limited	9,728,352	5.05%
Itaú Unibanco S.A	9,713,045	5.04%
Others	142,333,501	73.89%
<b>Outstanding shares</b>	<b>190,685,608</b>	<b>98.99%</b>
<b>Treasury shares</b>	<b>1,952,119</b>	<b>1.01%</b>
<b>Total</b>	<b>192,637,727</b>	<b>100.00%</b>

<sup>1</sup> Ownership structure on December 31, 2019. Does not reflect the stock split of all the shares issued by the company at the ratio of one common share to three shares of the same type (1:3), approved at the Extraordinary Shareholders Meeting held on April 27, 2020. As a result, the number of common shares making up the capital stock of the company increased from 192,637,727 to 577,913,181.

<sup>2</sup> To access the current ownership structure, [click here](#).

<sup>3</sup> Positions of LC EH Participações e Empreendimentos S/A, Laércio José de Lucena Cosentino, HG Senta Pua Fia and Ernesto Mário Haberkorn.

# GOVERNANCE STRUCTURE GRI 102-18

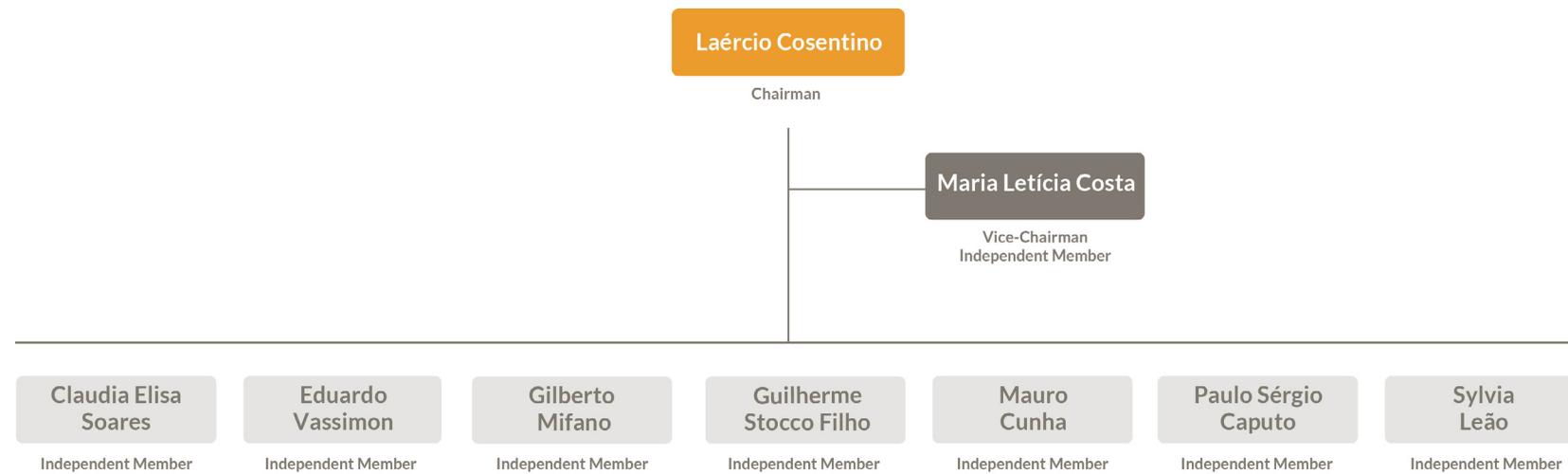


## CORPORATE GOVERNANCE **GOVERNANCE STRUCTURE**

### **BOARD OF DIRECTORS** GRI 102-26

It is the highest governance and collective decision-making body at TOTVS, responsible for formulating and monitoring the implementation of general business guidelines, including the long-term strategy. It also guides the company's business on strategic issues and monitors the execution of the strategic plan and the functioning of the Board of Executive Officers. In accordance with the Bylaws of TOTVS, the Board of Directors must have at least 5 and not more than 9 members. The directors are elected at Shareholders Meetings, with unified term of office of two years.

### **COMPOSITION OF THE BOARD OF DIRECTORS** GRI 102-10, 102-22, 102-23



<sup>1</sup> Composition of the Board of Directors on December 31, 2019.

<sup>2</sup> The Annual Shareholders Meeting held on April 27, 2020, approved the reduction in the number of directors from 9 to 7, who were elected for a new two-year term of office.

<sup>3</sup> To check the new composition of the Board of Directors, [click here](#).

### **COMPOSITION OF THE BOARD OF DIRECTORS<sup>1</sup>** GRI 102-22, 405-1

By gender	2018	2019
Men	78%	67%
Women	22%	33%
By age group	2018	2019
Between 30 and 50	22%	22%
Above 50	78%	78%

<sup>1</sup> Considers the composition of the Board of Directors on December 31, 2019 and December 31, 2018.

### AUDIT COMMITTEE

The *Audit Committee* is the advisory body of the Board of Directors in exercising the audit supervision and inspection functions concerning the quality and integrity of financial statements, compliance with legal, statutory and regulatory standards, and the effectiveness of internal controls and internal and independent audit systems. It must have at least three (3) members, the majority being directors, all of them independent, and at least one (1) of whom must have recognized experience in corporate accounting matters.

### STRATEGY COMMITTEE

The *Strategy Committee* is composed of up to four (4) members, three (3) being directors, the majority independent, and the company’s Chief Executive Officer will participate as a permanent guest in the meeting and without the right to vote. Its responsibilities are analyzing and discussing topics that enable the building of TOTVS’ Vision of the Future and its Strategic Planning.

### PERSONNEL AND COMPENSATION COMMITTEE

GRI 102-35, 102-36, 102-37

The *Personnel and Compensation Committee* consists of at least three (3) members, all directors, and at least two (2) of whom must be independent. Its responsibilities include examining candidates for the Board of Executive Officers, submitting its recommendation to the Board of Directors for the respective election. The Committee must also submit a proposal for the distribution of fixed and variable annual compensation among executive officers and directors and devise the strategies to attract, retain and develop TOTVS’ internal talent.

### GOVERNANCE AND NOMINATION COMMITTEE

The *Committee* is composed of at least 3 (three) members, with at least 2 (two) independent directors. Its duties include recommending and monitoring the adoption of good governance practices and the effectiveness of their processes, proposing updates and improvements when necessary, and establishing the channels and processes for interaction between company’s long-term shareholders and the Board, especially regarding strategy, governance, compensation, succession and composition of the Board.

### BOARD OF EXECUTIVE OFFICERS

*TOTVS’ Executive Officers* are professionals of excellence in their areas, elected by the Board of Directors for a unified term of office of two years. As the legal representatives of TOTVS’ the Executive Officers are responsible for managing the company’s daily operations and for submitting the medium- and long-term plan proposals to the Board of Directors. The Executive Board will be composed of a minimum of 5 (five) and a maximum of 20 (twenty) members.

### COMPOSITION OF BOARD OF EXECUTIVE OFFICERS GRI 102-26, 405-1

By gender	2018	2019
Men	100%	86%
Women	0%	14%
By age group	2018	2019
Between 30 and 50	86%	100%
Above 50	14%	0%

<sup>1</sup> Considers the composition of the Board of Directors on December 31, 2019 and December 31, 2018.

For more information about the Board of Directors, its advisory committees and the Board of Executive Officers, their career and professional experience, key contributions to the company, evaluation process and compensation practices, see items 12 and 13 of the *Reference Form*.



## RISK MANAGEMENT GRI 102-29,102-30,102-31

On June 11, 2019, the Board of Directors of TOTVS approved the new Risk Management and Internal Controls Policy. The policy establishes the principles, guidelines and responsibilities to be complied with when managing the company's corporate risks and internal controls to ensure the appropriate identification, analysis, evaluation, treatment, monitoring and communication of corporate risks. The latest version reflects the new Risk Management methodology, which includes the stages for establishing the scenario, identification, analysis, as well as risk evaluation, treatment, monitoring and reporting. It also establishes the Control Self-Assessment methodology to improve the management of internal controls.

THE MAIN RISKS CATEGORIES TO WHICH THE COMPANY IS EXPOSED ARE:

### STRATEGIC RISKS



Risks that affect the strategic objectives, considering the internal and external environment.

### OPERATING RISKS



Risks related to the company's operations (processes, personnel and technology) that affect the operating efficiency and effective and effective use of resources.

### FINANCIAL RISKS



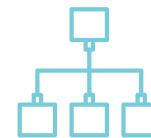
Risks associated with the exposure of the company's financial/accounting operations and the reliability of its balance sheet.

### REGULATORY/ COMPLIANCE RISKS



Risks related to compliance with rules and laws related to its sector, as well as environmental, labor, civil and tax/fiscal laws of Brazil and international laws.

### INFORMATION TECHNOLOGY RISKS



risks related to the information technology environment (infrastructure, access management, information security).



**RISK MAP** GRI 102-15

TOTVS' risk map was updated in 2019 in accordance with the strategic guidelines of the business and changes in the external environment. The new risk map was built based on a comprehensive process of interviews with risk owners and the Board of Executive Officers, which resulted in a matrix of priority risks classified according to their impact and probability. The risk map was also evaluated by the Audit Committee, which is responsible for disseminating the company's risk management process and submitting the issue for approval by the Board of Directors.

Reflecting the company's mature internal controls environment, Control Self-Assessment was implemented, which requires periodic self-assessment of internal processes and controls by those responsible for the business areas. Based on this work, TOTVS' Internal Audit defines the strategy and effectiveness tests to evaluate the correct application and operational efficiency of the controls in preventing or detecting material distortions. The entire process of mapping and reviewing controls and their respective results is reported to the company's Audit Committee.

For further details of the risk factors of the business, management process and associated internal controls, refer to items 4 and 5 of the *Reference Form*.

**READY FOR LGPD** GRI 418-1, 103-2, 103-3

Imposing regulations on data safety and the privacy of people and companies is part of a global movement, whose first milestone was the General Data Protection Regulation (GDPR), which came into effect in the European Union (EU) in 2016.

In Brazil, after eight years of debates, the Brazilian General Data Protection Law (LGPD) was sanctioned in 2018, and currently the Congress is discussing when the law will come into effect, which will transform the personal data protection system in Brazil. The purpose of LGPD is to regulate the activities regarding the use and preservation of personal and sensitive data, which may be collected only with the user's authorization, resulting greater safety and privacy for consumers.

For TOTVS, the Law represents two integrated fronts. One of them refers to its own operations as a company and compliance with the new law in relation to its clients. The other is its position as a provider of technology solutions that enables its clients to comply with LGPD in their businesses.



As part of the **corporate compliance process**, internal processes were mapped in 2019, which resulted in a Corporate Compliance Plan with more than 130 different activities. The initiatives, which are in the execution phase in the first half of 2020 with the participation of several areas, include training of multipliers and a communication plan to disseminate the issue and raise awareness among employees. Other initiatives include mobilizing an Organizational Change Management team to provide support in the adaptation phase and creating an e-learning course, mandatory for all employees, to provide guidance on the law and its impacts on the daily activities and practices at TOTVS.

Regarding **product adaptation**, TOTVS reinforces its role as a partner of its clients in their processes for compliance with LGPD in their businesses. During the period, the company organized events and training sessions and prepared content on LGPD for its clients on the TOTVS Blog, as well as webinars on the topic with experts from the company and the market. A specific page on LGPD was also created on the TOTVS website.

TOTVS already has a model for responsibility and confidentiality of information of its consumers and has been making the necessary adaptations to comply with the new law. Moreover, it adopts in its CRM methodology the "privacy by design" concepts, that is, tools and processes already developed under the perspective of respect to privacy. It also adopts the "Security by Design" principles, which establish the development of solutions and mechanisms to mitigate risks regarding security and access to personal information.

*Until August 26, 2020, the entry into force of the LGPD is scheduled for May 2021 by Provisional Measure (PM) 959/2020. After this date if Congress does not approve the PM, the LGPD will enter effective in August 2020.*

**BYLAWS, POLICIES AND CHARTERS** GRI 102-16, 102-17, 102-26

TOTVS' governance is supported by bylaw, policies and charters, which ensure excellence in company management, as well as transparent and efficient decision-making. All Corporate Policies are evaluated and recommended by the Advisory Committees to the Board of Directors, and are disclosed to internal and external stakeholders through the company's Investor Relations website. Access the [links](#) for a complete description of these documents.

**INTEGRITY PROGRAM** GRI 102-17, 205-1

In order to continuously improve anticorruption practices, in 2019 the company's Board of Directors approved the restructuring of the Integrity Program based on applicable anticorruption laws and best market practices, considering TOTVS' risk profile. The company's Integrity Program consists of mechanisms to prevent, detect and remedy wrongful and unethical conduct, either in private or public environment, in line with the Organizational Culture. It is based on five pillars: (i) culture of integrity; (ii) risk assessment; (iii) Code of Ethics and Conduct, Policies and Procedures; (iv) Communication and Training; and (v) Detection and Remediation.

Regarding relations with third parties, the Integrity Program establishes procedures for identifying and assessing compliance risks in supplier relations to ensure that TOTVS does not do business with suppliers involved in any kind of illegal or wrongful practices under the anticorruption laws in force and the ethical principles adopted by the company.

In addition, the company's entire supplier base was submitted to a background check, which included the reputational evaluation and verification of existing sanctions in order to understand the risks associated with the relationship. Based on this analysis, as per the level of risk determined, the measures taken include: blocking suppliers for new contracts, amendments to contracts and continuous monitoring.

Our franchisees also sign a Statement of Commitment to Integrity and Statement of Responsibility, Compliance and Social and Legal Commitment, in which the units undertake to comply with Federal Law 12,846/2013 – the Brazilian Anti-Corruption Law, and the Code of Ethics and Conduct of TOTVS, as well as the main Global Compact principles.

The Integrity Program is periodically audited and the action plans are reported to the Audit Committee which, in turn, submits its opinion to the Board of Directors. The final product is translated into a roadmap to monitor the implementation of the actions defined, resulting in a cycle of evolution and maturation of the Integrity Program and providing a safer environment in terms of anticorruption mechanisms.



**CODEC** GRI 102-16, 102-17, 102-33, 103-2, 103-3

The Code of Ethics and Conduct (CODEC) provides a general understanding of the ethical conduct and principles that guide TOTVS' commitment to the integrity of its business and to its internal and external relationships. It applies to all directors, managers, shareholders in the control block of the company, TOTVERS, service providers, suppliers and partners.

TOTVS has a whistleblowing channel (TOTVS Ethics Hotline) for internal and external stakeholders to report cases of misconduct. In 2019, 248 reports were received, duly analyzed and addressed, compared to 200 cases reported in the previous year. The company also has a Commission of Ethics and Conduct, whose members are nominated by the Chief Executive Officer of the company and validated by the Board of Directors. The commission promotes integrity and compliance with values and standards of behavior set forth in the code. The Commission is responsible for receiving reports and conducting a formal process to verify if violations of the Code of Ethics and Conduct occurred and, if confirmed, to determine the applicable disciplinary measures.

The Ethics and Conduct Channel  
can be contacted by phone  
0800 721 5966 in Brazil  
55 11 3232 0766 from other locations  
Monday to Friday, from 9 a.m. to 5 p.m.  
[www.canalconfidencial.com.br/totvs](http://www.canalconfidencial.com.br/totvs)  
[Click here to access the Code.](#)

**ETHICAL AND IMPARTIAL  
CONDUCT IN RELATIONS  
WITH PUBLIC ENTITIES** GRI 102-17

TOTVS values ethical and responsible conduct in its relations with government authorities, prohibiting any illicit actions, in accordance with Anticorruption Law 12,846/13 and other applicable anticorruption laws, as well as the guidelines and rules determined in our Policy on Commercial and Institutional Relations with Public Entities and the Code of Ethics and Conduct. In 2020, an e-learning training program will be launched on the Policy on Commercial and Institutional Relations with Public Entities, mandatory for all employees who may potentially interact with government agents or public entities.

To ensure transparency in its relations with government authorities, the company also has specific internal tool to electronically register all interactions with government agents, in which the meeting agenda and venue, as well as the participants representing TOTVS and the public entity, must be recorded.



**TRAINING ON THE CODE OF ETHICS AND CONDUCT AND ANTICORRUPTION PRACTICES** GRI 205-2

The Board of Directors, all employees in Brazil and abroad, and the business partners of the company were informed of the company's Code of Ethics and Conduct and Anti-Corruption. The company also developed an e-learning program on the Code of Ethics and Conduct in a gamified format (launched in December 2018), which enabled it to train more employees than in previous years. The training program was attended by 6,202 employees from all over Brazil, resulting in more than 90% of TOTVERS trained. The training module was offered to units in Argentina, Colombia and Mexico, and more than 100 employees in these units were trained.

**EMPLOYEES TRAINED ON ANTICORRUPTION PROCEDURES BY REGION** GRI 205-2

Percentage of employees trained <sup>1</sup> (%)	South	Southeast	Midwest	Northeast	North	Total %
Executive Officers and Executive Managers	86	74	50	N/A	N/A	70
Managers	100	83	100	100	N/A	95,7
Coordinators	95	87	92	100	100	94,8
Specialists	97	87	100	67	100	90,2
Analysts	94	87	94	92	100	93,4
Technicians and Assistants	90	83	90	100	100	92,6
<b>Total by region</b>	<b>94</b>	<b>86</b>	<b>94</b>	<b>91</b>	<b>100</b>	<b>93</b>

<sup>1</sup> Training made available to all TOTVS units in Brazil. <sup>2</sup> N / A represents not applicable, because in the regions there are no people in these positions.

**COMMITMENTS** GRI 102-12,102-13, 102-29

Signatory to the **United Nations (UN) Global Compact** in 2014, TOTVS submitted in 2018 its Communication on Progress (COP) Report, which shows how the company guides its strategy to comply with and align its businesses with the 10 Principles of Global Compact and the UN Sustainable Development Goals (SDG). Since 2016, it has been publishing its Integrated Report, which follows the International Integrated Reporting (IIRC) and Global Reporting Initiative (GRI) guidelines. The Sustainability Policy, which will guide TOTVS' actions in this area and reaffirm its commitment to the sustainable development agenda, is in the preparation stage.

TOTVS is also a signatory to the **Business Pact for Integrity and Against Corruption** and a member of the Integrity Work Group of Ethos Institute, a forum for exchanging experiences among companies to discuss Integrity involving corporate practices and the implementation of policies to promote integrity and combat corruption.



# THE 10 PRINCIPLES OF GLOBAL COMPACT

- 1**  **PRINCIPLE 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2**  **PRINCIPLE 2:** make sure that they are not complicit in human rights abuses.
- 3**  **PRINCIPLE 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4**  **PRINCIPLE 4:** the elimination of all forms of forced and compulsory labour;
- 5**  **PRINCIPLE 5:** the effective abolition of child labour; and
- 6**  **PRINCIPLE 6:** the elimination of discrimination in respect of employment and occupation.
- 7**  **PRINCIPLE 7:** Businesses should support a precautionary approach to environmental challenges;
- 8**  **PRINCIPLE 8:** undertake initiatives to promote greater environmental responsibility; and
- 9**  **PRINCIPLE 9:** encourage the development and diffusion of environmentally friendly technologies.
- 10**  **PRINCIPLE 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

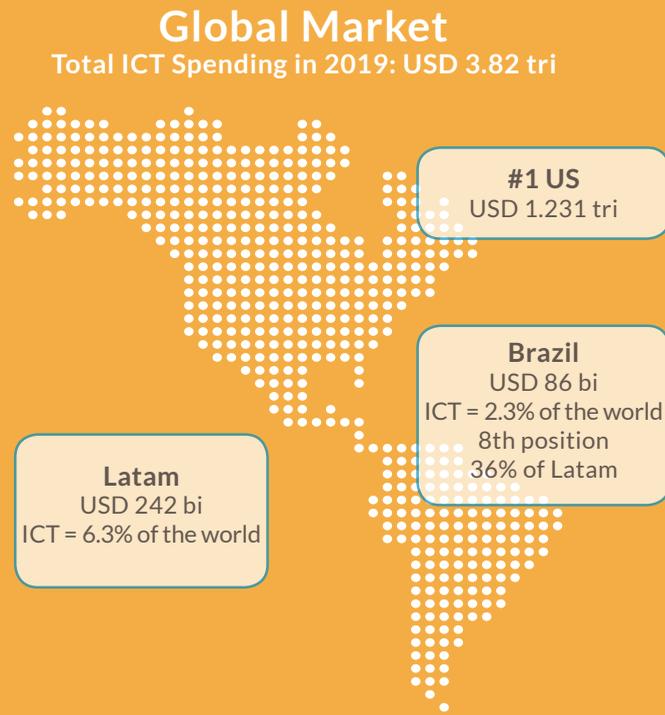
# ECONOMIC SCENARIO AND SECTOR



GRI 103-2,103-3

As of 2017, Brazil has been recovering economic growth, Gross Domestic Product (GDP) registering slight growth. In 2017 and 2018, the GDP increase was 1.3%, in 2019, with a slight retraction, the index was 1.1%. The drop in unemployment rate from 12.3% in the previous year to 11.9% in 2019 also indicated a 2020 with margin for economic recovery. With regard to inflation, the IGP-M index registered strong monthly variation during the year to close 7.5% higher, while the IPC-A index stood at 3.8%, up 0.8 percentage points from 3.0% in 2017. The monetary policy was conducted by Brazil's Monetary Policy Committee (COPOM) based on maintaining the Selic interest rate below the structural interest rate, closing the year at 6.5%.

According to the study "IDC Predictions Brazil 2020, Main projections for the Brazilian ITC market" by IDC, released on February 27 this year, the global market spent US\$3.82 trillion dollars in 2019.



For 2020, the study pointed out some opportunities for the sector in Brazil, with the implementation of the Brazilian General Data Protection Law (LGPD), which will boost companies' investments in security, leveraged by consulting and specialized services, which are expected to grow 9.6% in 2020, to US\$456 million. Upgrades/adaptation of applications alone may generate a positive impact on the customized development market by US\$968 million in 2020, in a sharper recovery starting 2021 in connection with the modernization of applications and cloud services.

Another avenue of opportunities for the sector according to the study is Analytics e Artificial Intelligence (AI) products and services, which are increasingly intertwined, in order to simplify the consumption of a growing volume of information and generate more insights for businesses. Together, these solutions should grow 11.5% to US\$548 million in 2020. Similarly, the demand for cloud-based products should grow in both the public sector (36.5% growth to US\$3.5 billion) and the private sector, which is expected to reach US\$1.3 billion in the year. The migration of services from traditional to cloud environments would result in a total of R\$1.2 billion, a 40% growth in relation to 2019. According to the "Survey on Investment Trends in IT" by IT4CIO, CRM solutions and

projects should become a priority for 34% of the companies surveyed in their investments for 2020.

However, these and other scenarios indicated in several studies may change due to the crisis caused by the COVID-19 pandemic around the world. Local and global economies will have to absorb the impacts of this grave health crisis and its effects on the daily routine of companies and people. However, since the technology sector is integrated into the value chain of numerous sectors and at different proportions, it will also be one of the first sectors to follow and boost the resumption of businesses. The technology sector will also help propose new models of interaction between the links in these chains, as well as identify new solutions for the new challenges that will arise during the rebuilding of the post-pandemic 'normality'. TOTVS believes that technology will be fundamental to assist companies in overcoming this crisis that we are going through and, in this regard, reiterates its commitment to remain an important business partner for its thousands of clients.

# FINANCIAL CAPITAL

*Set of resources available for an organization to be used in production of goods or services, which is obtained through financing, such as debts, stock or subventions, or generated by investments.*



## CONTEXT: A NEW CHAPTER IN OUR JOURNEY GRI 103-2, 103-3

We are living in a new digital area moved by the emergence of disruptive technologies and profound changes in the behaviors of individuals, who now consume products and services in a different manner, and of organizations, which are challenged to revalidate their own business models. At the heart of all these changes are individuals. People's decisions to connect and share information are today a decisive factor for the digital evolution of businesses and how we deal with the world in which we live as a society.

TOTVS concluded its journey of transition to the software subscription model. In terms of Offering and Portfolio, the model, which also combines cloud-based solutions, is implemented, and, together with the model of maintenance contracts, represents a solid base of recurring revenues, which ended 2019 representing over 75% of total business revenue. On the Process and Customer Service front, the company redirected its efforts to focus on its core business of software (leaner structure), on changes in its commercial structure, such as improvements in relations with its franchisees and adjustments to incentives for sales of recurring and non-recurring solutions, and on satisfying its clients, all of which are reflected in the adoption of an agile model in all its business verticals with continuous updates and delivery of releases with new features in solutions in short cycles (every three months) in addition to making the process of contracting and implementation faster. As a result, client renewal rates remained above 98% in all the quarters of the period. The Culture and Environment pillar also deserved special mention, with the strengthening of culture and the commitment to cost management and organizational efficiency.

The result is the construction of one of the most consistent business models in the market, based on predictability, profitability and sustainability.

Now, the company is entering a new cycle where the challenge is to continue building an ecosystem of solutions encompassing three dimensions: (i) Management - with a portfolio of open, connected and customizable ERP, HR and Vertical solutions and platforms; (ii) *Techfin* - simplifying, expanding and making access to credit and other financial services cheaper; and (iii) Business Performance - building a portfolio that helps clients to sell more and better. Artificial Intelligence, machine learning and cloud are the tools to drive this strategy of opening new markets and advancing further in the value chain of our clients.

## OPERATING AND FINANCIAL PERFORMANCE

The period was marked by one more year of revenue growth, with the acceleration of initiatives that have been evolving throughout 2018, leveraged by the implementation of new strategic fronts and guidelines.

### FINANCIAL AND OPERATING HIGHLIGHTS GRI 201-1

Net Revenue: **R\$2,282.1 million in 2019** (+8.1% vs. 2018)

Recurring Revenue: **R\$1,729.2 million in 2019** (+11.8% vs. 2018)

ARR<sup>1</sup>: **R\$1.920 billion** (+10.8% vs. 2018)

Client Renewal Rate: **Above 98% in all quarters**

Adjusted EBITDA<sup>2</sup>: **R\$469.7 million in 2019** (+35.4% vs. 2018)

Adjusted EBITDA Margin<sup>3</sup>: **20.6% in 2019** (+420 bps vs. 2018)

Adjusted Net Income: **R\$252.1 million in 2019** (+83.9% vs. 2018)

Net Operating Cash Flow: **R\$385.5 million in 2019** (+10.2% vs. 2018)

Follow-on: **R\$1.067 billion** raised

Focus on Software: **disinvestment of hardware operations**

M&A<sup>3</sup>: **renewed focus** and redefined strategy

<sup>1</sup> Annual Recurring Revenue

<sup>2</sup> Excluding the effect of IFRS 16, Adjusted EBITDA is R\$425.7 million (+22.7% vs. 2018)

<sup>3</sup> Excluding the effect of IFRS 16, Adjusted EBITDA Margin is 18.7% (+230 bps vs. 2018)

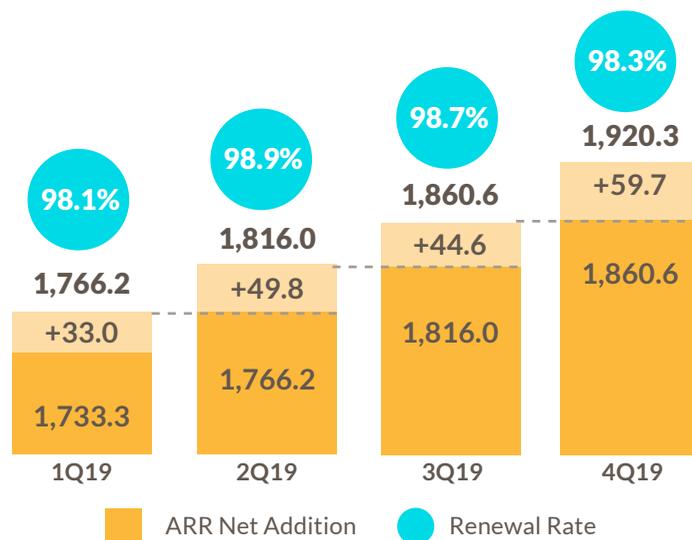


**NET REVENUE**

Total Net Revenue at the end of the year was approximately R\$2.3 billion, maintaining its growth trend, up 8.1% from the previous year. This result mainly reflects the double-growth in Recurring Revenues in all quarters of 2019, accounting for 75.8% of Net Revenue in the year. This increase was softened by the 2.0% decline in Non-recurring Revenues in 2019.

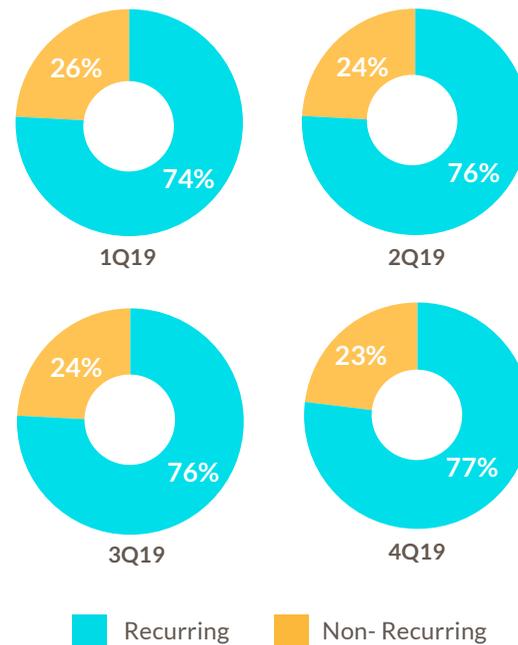
**RECURRING REVENUE**

The quicker pace of sales in both the client base and among new clients, combined with inflation adjustments and the client renewal rate remaining above 98% in 2019, resulted in the double-digit growth in Recurring Revenue in all quarters of 2019, resulting in an 11.8% increase from 2018. Annual Recurring Revenue (ARR), a widely used metric in the SaaS model, ensures comparability among the periods by annualizing all current subscriptions regardless of the month in which they were contracted, which shows this growth, with net addition of R\$187 million, from R\$1.733 billion to R\$1.920 billion in 2019.



**NON-RECURRING REVENUE:**

License Revenue grew 20.4% in relation to 2018, due to the higher sales volume since the start of the year. Despite this increase in License Revenue, Non-Recurring Revenues declined in relation to 2018, due to lower Revenue from Non-recurring Services during the entire year. This reduction in non-recurring services in the year, especially those for software implementation and customization, is mainly due to the franchisees' higher share of sales and the increase in sales of solutions with lower demand for services, especially those sold in the subscription and cloud-based model. The company understands that these reductions also reflect an effort to make TOTVS' solutions lighter and more accessible to clients.



**ADJUSTED EBITDA**

Revenue growth, combined with the scalability of the software business and the disciplined management of costs and expenses, contributed to the 35% growth of EBITDA, equivalent to an increase of 420 basis points in Adjusted EBITDA Margin, which ended 2019 at 20.6%. This performance underlined the positive growth trend of revenue and the consolidation of EBITDA Margin.

R\$ thousand	2019	2018	Δ
Adjusted EBITDA* <sup>(1)</sup>	469,742	347,014	35.4%
Adjusted EBITDA Margin <sup>(2)</sup>	20,6%	16,4%	420 pb

\* Earnings before Interest, Taxes, Depreciation and Amortization  
<sup>(1)</sup> Excluding the effect of IFRS16, Adjusted EBITDA is R\$425.7 million (+22.7% vs. 2018)  
<sup>(2)</sup> Excluding the effect of IFRS16, Adjusted EBITDA Margin is 18.7% (+230 bps vs. 2018)

**NET INCOME**

The increase in Adjusted Net Income from 4Q18 is mainly due to EBITDA growth, combined with the positive financial result. Compared to the previous year, the EBITDA growth combined with lower financial expense and lower Effective Income Tax Rate, despite being negatively affected by Depreciation and Amortization expenses, resulted in an increase of 83.9% in Adjusted Net Income.

### CASH FLOW

In 2019, TOTVS' free cash flow was positive at R\$385.5 million, up 10.2% from 2018. This is due to: (i) the 75.5% increase in EBT<sup>1</sup>; (ii) the increase in working capital requirements, due to higher use of tax credits in 2018; (iii) higher interest payments, especially for the payment of non-convertible premium on debentures issued in 2008; and (iv) proceeds from the sale of certain operations that resulted in cash inflows.

<sup>1</sup> Earnings before Tax

### DEBT

Gross Debt totaled R\$466.7 million in 4Q19, compared to R\$503.5 million in the same period the previous year. Cash and Cash Equivalents at the end of 4Q19 totaled R\$1,538.2 million, corresponding to over 3.2 times the Gross Debt, which shows the company's borrowing and investment capacity for new growth cycles.

### ASSIGNMENT OF RATING\*

In April 2019, risk rating agency Fitch Ratings assigned TOTVS the National Long-Term Initial Rating "AA (bra)" with a stable outlook. According to Fitch, the rating reflects TOTVS' leadership of the competitive enterprise management software segment backed by its knowledge of the local market, a broad distribution network and a diversified portfolio of products and clients, as well as strong liquidity.

\* In May 2020, Fitch revised the risk classification and maintained TOTVS' rating.



# STRATEGY AND INVESTMENTS GRI 102-10,103-2,103-3

As part of its strategy to expand, strengthen and create value for its clients and leverage the growth of its results, TOTVS started to implement new strategic guidelines and pillars in 2019. The pillars include: (i) divestment of hardware operations to return the focus on software; (ii) the organic creation of the **Techfin** team (technology for financial services), which aims to simplify, expand and cheapen access of our clients to credit and other financial services; (iii) the identification of opportunities to develop **performance solutions** to be included in the value chain of clients, optimizing their sales results and profitability; and (iv) a revision of the M&A strategy, which includes reinforcing and redesigning the area.

TOTVS DAY 2020 Video

TOTVS is a technology company with vast experience in M&A in Brazil, with the capacity and more than 20 years of experience in the identification, negotiation and integration of acquisitions. Since 2006, it has acquired over 25 companies, which helped reinforce its core business and penetration in new operating segments, generating significant value and synergies that strengthened cross selling<sup>1</sup>, increased lock-in, expanded the services and solutions offered, cut costs, improved governance and expanded sales under the TOTVS brand.

<sup>1</sup> Cross selling is the practice of selling an additional product or service to an existing client.

In 2019, TOTVS renewed its focus and redefined its M&A strategy, based on four key pillars, aimed at growth and value creation for the company and its shareholders.

### UNIQUE PLAYBOOK BASED ON OUR KEY PILLARS



\*TAM: Total Addressable Market

### FOLLOW-ON OFFERING: PAVING NEW GROWTH AVENUES

With the revision of the M&A strategy, in May the company held a follow-on offering with restricted efforts of 27 million new shares at the price of R\$39.50 per share, raising R\$1.067 billion. These new shares increased the number of shares in the base by 35%, showing the market's demand for the company's offering. The success of the operation enabled the start of a new investment cycle, focusing the strengthening of the core system and management business and the expansion to new markets. Of resources allocated for investments in two to three years, more than 60% was already used to acquire Supplier, Consinco and Wealth Systems\*.

\* Operation made in the current fiscal year.



### TRANSFORMATION TO TECHFIN MODEL IN PROGRESS

On October 28, 2019, the acquisition of Supplier was announced, for the amount of R\$455.2 million. This move accelerates TOTVS' *Techfin* strategy, which aims to simplify, increase and cheapen the access of our clients to credit and other financial services. TOTVS aims to migrate SUPPLIER to the *Techfin* model, moving forward across the supply chains of its clients, enabling B2B credit on recurring relations between clients and suppliers, and providing a frictionless journey for all those involved by integrating the management systems in SUPPLIER's platform and using artificial intelligence and big data to continuously improve its credit algorithms. This operation was completed on April 30, 2020.

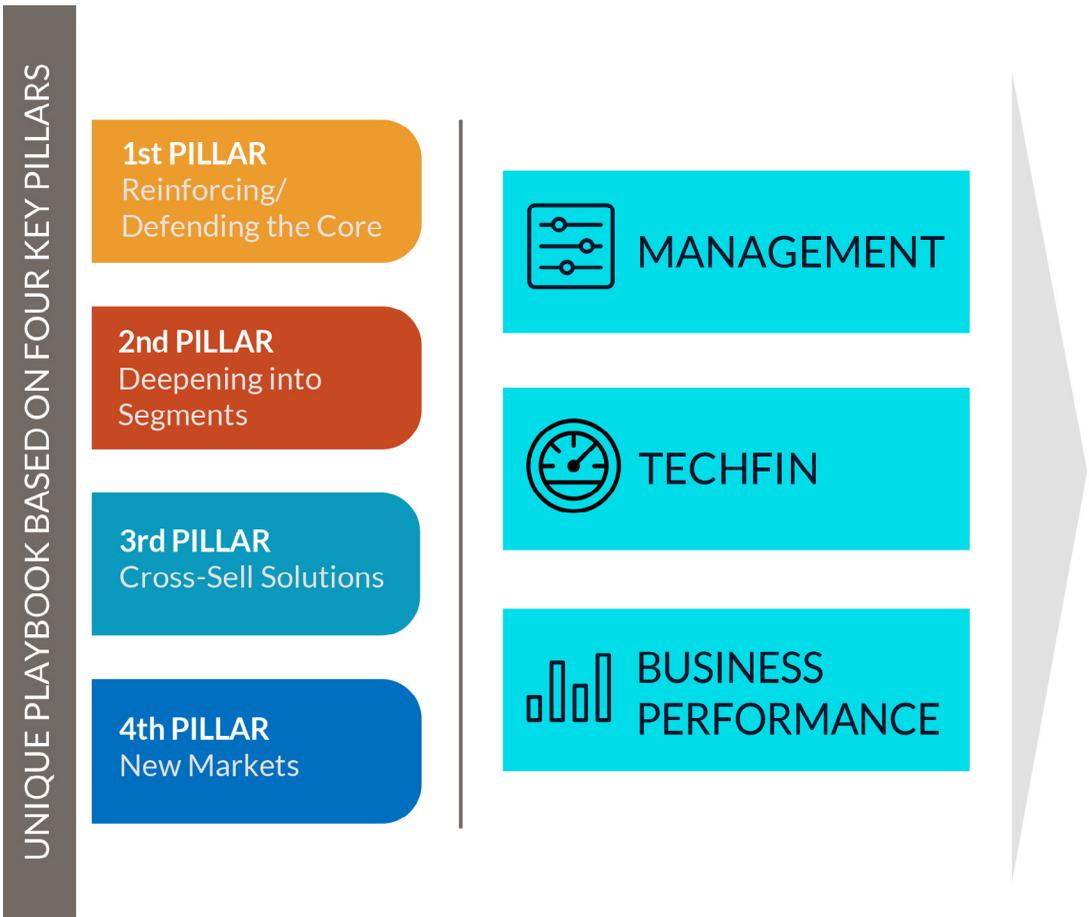
### EXPANSION OF FOOTPRINT IN RETAIL AND CONSOLIDATION OF LEADERSHIP IN SUPERMARKETS VERTICAL

On December 27, 2019, the company announced the acquisition of 100% of Consinco shares for the amount R\$197 million, paid at the closing of the transaction carried out on January 30, 2020.

Consinco is the leading provider of management software for supermarket market and cash and carry in the Brazilian market. With this move, TOTVS increases its presence in the Retail segment and consolidates its leading position in the vertical of supermarkets, the tip of a long supply chain, which will enable the generation of synergies between operations and the offer of solutions for financial services, such as B2B credit, from the *Techfin* division. This operation was completed on January 30, 2020.

### STRENGTHENING OF BUSINESS PERFORMANCE STRATEGY

On April 8, 2020, a contract was signed for the acquisition of 100% of the share capital of Wealth Systems Informática Ltda. for R\$27.0 million. Wealth Systems was already a TOTVS partner with its CRM (Customer Relationship Management) and SFA (Sales Force Automation) solutions, especially for the agribusiness, manufacturing and distribution chains. With this move, TOTVS takes yet another step in executing its strategy to develop an ecosystem represented by three dimensions: (i) Management – ERP, HR and vertical solutions; (ii) *Techfin* – B2B credit, services and payments; and (iii) Business Performance – sales lead and marketing, providing solutions designed to generate opportunities and convert sales of clients in order to add further value to the chains already served by solutions from the Management and *Techfin* divisions.



OPPORTUNITIES IN MANAGEMENT

- 1 ERP / RH 
  - 2 Verticals 
- 

OPPORTUNITIES IN TECHFIN

- 1 B2B Credit 
- 
- 3 Payments
- Retail 
- 
- 2 Payroll Credit
- Education

OPPORTUNITIES IN BUSINESS PERFORMANCE

- 1 E-Commerce 
- 
- 3 CRM 
- 
- 2 OMS 
- 
- 4 Other Initiatives

For more details on these acquisitions and all corporate operations during the period, read our [Reference Form](#).

**VALUE GENERATION**

TOTVS generated financial value of R\$1.684 billion in 2019, which was shared among employees, government, financial institutions and shareholders.

**DISTRIBUTION OF VALUE ADDED** GRI 201-1

Value added (R\$ thousand)	Stakeholder	2019	2018	Variation %
Salaries, benefits and charges	TOTVERS	992,180	927,346	6.5
Taxes, duties and contributions	Government	409,421	360,788	11.9
Interest on debt	Financial Institutions and Creditors	72,455	121,339	-67.5
Remuneration on Equity	Shareholders	210,648	60,643	71.2

**TAX INCENTIVES** 103-2, 103-3, 201-4

Form of financial help received (R\$ thousand) <sup>1</sup>	2019	2018
Tax incentives /credits(1)	12,420	12,839

<sup>(1)</sup> Brazilian tax law has a mechanism to foster the country's technological development (Federal Law 11,196/05), which grants tax incentives to companies engaged in research and development (R&D) activities for technological innovation.



# HUMAN CAPITAL

*The abilities, skills and experience of people and their motivation to innovate, including: their alignment with and support to the governance personnel, risk management approach and ethical values; capacity to understand, develop and implement the strategy of an organization; loyalty and motivation to improve processes, goods and services, including the ability to lead, manage and collaborate.*



## HUMAN CAPITAL

TOTVS' successful history is the result of the excellence of our team, consisting of professionals who are passionate about technology and innovation. Creative and restless, our employees are encouraged to provoke changes and propose improvements to products and services, relations and the workplace.

They are strongly backed by the TOTVS Culture, which reflects the attributes that define the company: People, Client and Technology. People Management focuses on diversity, ethics, as well as professional and human development of its teams.

## TOTVS CULTURE

### Technology + Knowledge are our DNA

We have built a legacy in an ever-changing world. We think how technology and knowledge can jointly drive innovation today and always. We are creative and are not afraid of making mistakes.

### The success of our clients is our success

We anticipate our clients' needs. We deliver high-quality solutions that are essential, simpler and more agile for their business. We are present and close to them.

### We value good professionals who are good people

Curious, collaborative, digital and fanatic about results. We've got attitude, our own style and we are restless. We are TOTVERS.

## #WEARETOTVERS



## #WEARETOTVERS GRI 102-8

TOTVS is a technology company. As such, its greatest capital and core asset are people. The success of its business depends on the capacity to develop products and services and offer exclusive and specialized customer service. For this, the company develops a series of strategies and programs for its internal stakeholders, ranging from talent attraction, career development, recognition and promotion of a stimulating working environment to actions that ensure quality of life for its employees.

To support the growth cycle of the company in the coming years, TOTVS relies on initiatives to ensure that people have the necessary tools for their personal development in a serene, respectful and inclusive environment to collaborate in this process.

### INTERNAL STAKEHOLDERS

Total employees<sup>12</sup> GRI 102-7, 102-8

Countries	2018	2019
Brazil	7,529	6,716
Other Latin American countries	221	242
United States of America	44	9
Europe	3	4
Asia	8	0
<b>Total</b>	<b>7,805</b>	<b>6,971</b>

<sup>1</sup>Including employees of subsidiaries and associated companies of the company and excluding franchises. <sup>2</sup>Excluding statutory employees, interns and apprentices.

At the end of 2019, TOTVS had almost 7,000 employees. The variation in the number of TOTVERS reflects, among other factors, the sale of 100% interest held in Bematech Hardware's operations as part of the company's move to focus its teams' efforts and resources on the software operation.



### WHO WE ARE GRI 102-8

Employees by type of agreement and gender <sup>123</sup>	2018			2019		
	Total	Men	Women	Total	Men	Women
Indeterminate	7,805	66.5%	33.5%	6,971	66.3%	33.7%

<sup>1</sup>Including employees of subsidiaries and associated companies of the company and excluding franchises.

<sup>2</sup>Excluding statutory employees, interns and apprentices.

<sup>3</sup>There are no fixed-term agreements. All employees are classified in the indeterminate agreement category.

Employees by type of employment and gender <sup>12</sup>	2018			2019		
	Total	Men	Women	Total	Men	Women
Full-time	7,771	66.4%	33.6%	6,959	66.3%	33.7%
Part-time	34	76.5%	23.5%	12	75%	25%
<b>Total by gender</b>	<b>7,805</b>	<b>66.5%</b>	<b>33.5%</b>	<b>6,971</b>	<b>66.3%</b>	<b>33.7%</b>

<sup>1</sup>Including employees of subsidiaries and associated companies of the company and excluding franchises.

<sup>2</sup>Excluding statutory employees, interns and apprentices.

### TOTVERS ENGAGEMENT

2019 was a special year for TOTVS. The company's exponential growth and development of new business areas and the prospects for the coming years directly reflected in the satisfaction of those who make the company. Our satisfaction survey showed that TOTVERS, which is how TOTVS employees are called, believe in the company's future and 88% of them are proud to work at TOTVS. GRI 102-43

### ENGAGEMENT SURVEY WITH TOTVERS

**92%** *I believe in the potential and future of TOTVS*

**88%** *I am proud to work here*

**82%** *My leader gives me autonomy*

**86%** *My leader acts in accordance with the company's culture*



### ATTRACTING TALENT

Attracting talent is a challenge faced by the entire sector. There is growing demand for technology professionals, combined with the lack of qualified professionals to meet the market needs in Brazil. The company strives to attract highly motivated professionals who have the characteristics of the #SOMOSTOTVERS culture and who bring with the desire to be part of a company that develops and delivers technology, contributing to the transformation of business from north to south of Brazil.

In 2019, TOTVS redesigned its employer branding model and ramped up actions to reach out to university and vocational education students. Thirty-five visits to TOTVS were conducted and 15 lectures were organized at universities, resulting in interaction with approximately 3,000 university students. The onboarding process was redesigned as well; since the first contact, the new professional is immersed in the TOTVS Culture, which values the "spirit of ownership" and "TECH essence" in all areas of the company. GRI 102-43

**PEOPLE MANAGEMENT CYCLE** GRI 404-3

The People Management Cycle is based on the #SOMOSTOTVERS culture and represents the three main stages that are followed by each TOTVS leader in their team management and development process. The company adopts meritocracy, which is applied in accordance with the ARCO (Attitude, Result and Consequence methodology, in all stages of the cycle, as represented in the figure:



Figure: People Management Cycle – ARCO



Figure: Meritocracy Cycle Schedule

Meritocracy is the key element in the development pillar of TOTVERS. It is based on the annual **performance assessment** carried out under the 9 Box methodology, which consists of formal stages of feedback that guide the design of an individual development plan, validation of successors and setting of annual targets in alignment with the company’s strategy.

The 9 Box Matrix is a tool used to evaluate professionals on two parameters: their results and their skills. In the cartesian plane (x, y), the result is placed on one 9 Box axis and adherence to strategic skills is placed on the other axis. The discussion of calibrating the tool also involves the potential development of TOTVERS. The Program of Targets aims at ensuring and measuring (indicator) all deliverables related to TOTVS’ strategic objectives.

**PERFORMANCE APPRAISAL**

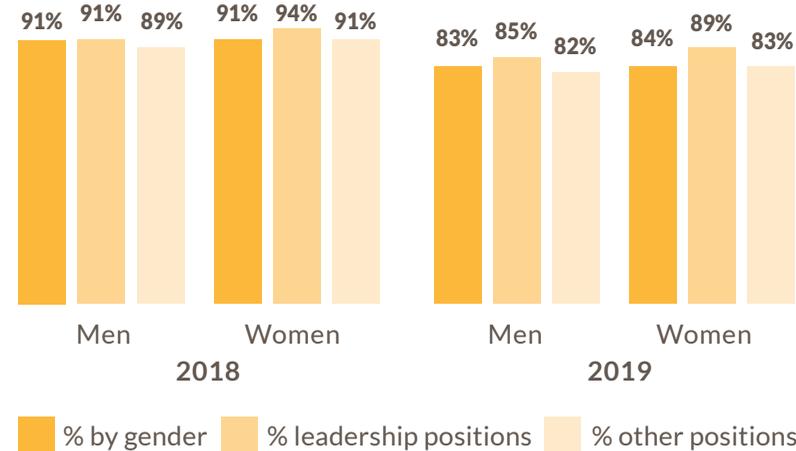
The Performance Appraisal process is the foundation for implementing the concept of **meritocracy** through effective actions, which include:

- /// Promotions;
- /// Salary increases;
- /// Participation in recognition programs;
- /// Observation and support for performance recovery;
- /// Exit strategy;



PERFORMANCE APPRAISAL GRI 404-3

Employees who underwent performance appraisal and career development (%)<sup>123</sup>



<sup>1</sup> Considering all units in Brazil, Argentina, Colombia, Mexico and the United States. Excluding franchises.  
<sup>2</sup> Leaders are: lead analysts, coordinators, managers, executive managers, executive officers and vice presidents. Other positions: apprentices, interns, assistants, technicians, analysts and specialists.  
<sup>3</sup> Including all TOTVERS who underwent performance appraisal over the year (including those who left the company for some reason in 2019).

In all areas, TOTVS stimulates proactive effort by its employees, providing the tools necessary for them to build their own success story. As such, with the development routes, the company also reinforces the TOTVS Culture of “valuing good professionals who are good people,” which also influences talent retention.

RETENTION

Retaining talent will always be a sensitive issue when it comes to technology companies. The high turnover in the sector is due to the intensively dynamic activities and projects in this segment, combined with the scarcity of professionals in relation to market demand. For these employees, it is important to consistently offer career development processes, recognition mechanisms, and also challenges that stimulate their creativity and keep pace with technology.

During 2019, 1,110 people were hired and a total of 1,795 left the company. Our turnover rate was 20.84%, which was 1.37% lower than in the previous year (22.21%). Internal mobility is also an important mechanism for retaining these talents. Approximately 25% of job openings created in 2019 were filled internally.

TURNOVER GRI 401-1

Turnover ratio <sup>123</sup>	2017	2018	2019
	21.22%	22.21%	20.84%

<sup>1</sup> Considering all units in Brazil, Argentina, Colombia, Mexico and the United States and excluding franchises.  
<sup>2</sup> Turnover = [(People Hired + Terminated) / 2] Active employees  
<sup>3</sup> Excluding statutory employees, interns and apprentices.

GRI 401-1

Hiring and turnover by gender <sup>12</sup>	Hiring	Terminations	Turnover
Men	722	1,209	20.9%
Women	388	586	20.7%
<b>Total</b>	<b>1,110</b>	<b>1,795</b>	<b>20.8%</b>

<sup>1</sup> Considering all units in Brazil, Argentina, Colombia, Mexico and the United States and excluding franchises.  
<sup>2</sup> Excluding statutory employees, interns and apprentices.

GRI 401-1

Hiring and turnover by age group <sup>12</sup>	Hiring	Terminations	Turnover
Below 30	516	729	31.9%
Between 31 and 50	564	963	16.5%
Above 50	30	103	16.8%

<sup>1</sup> Considering all units in Brazil, Argentina, Colombia, Mexico and United States and excluding franchises.  
<sup>2</sup> Excluding statutory employees, interns and apprentices.

GRI 401-1

Hiring and turnover by region <sup>12</sup>	Hiring	Terminations	Turnover
South	151	323	16.4%
Southeast	859	1,266	22.5%
Midwest	33	99	16.4%
Northeast	11	35	19.8%
North <sup>3</sup>	3	33	69.2%
International Market	53	39	18.0%

<sup>1</sup> Considering all units in Brazil, Argentina, Colombia, Mexico and the United States and excluding franchises.  
<sup>2</sup> Excluding statutory employees, interns and apprentices.  
<sup>3</sup> The difference in percentage in the North region is due to the demobilization of a project.

The **Profit Sharing Program (PLR)** recognizes the efforts of employees and their contribution to the company's results. The **Long-Term Incentive (LTI)** plan is another retention strategy designed to align TOTVERS' interests with the interests of shareholders, broadening their sense of ownership and commitment through the concept of investment and risk. The program is divided into 3 sections and entails the distribution of TOTVS shares to its recipients. TOTVERS nominations are approved by the People Committee and the Board of Directors. [GRI 102-35](#), [102-36](#), [102-37](#)

#### LTI Partners

/// executives, critical specialists and Talents are eligible (once elected, become permanent partners;

/// differential in significant wealth generation in the long term for TOTVERS who become partners;

/// promotion of the sense of "ownership" and shielding of high-impact TOTVERS in the current business and in the strategy/ operations of the company in the medium and long terms;

/// instrument of mitigation of continuity and governance risks.

#### LTI Executives

/// includes the CEO, VPs, Executive Officers and Executive Managers;

/// part of executive compensation of TOTVS (compared to the market);

/// instrument of long-term engagement and retention;

/// creation of long-term value and consistent legacies for shareholders.

#### LTI Highlights of the year

/// annually, 1% to 3% of non-executive TOTVERS (Managers, Coordinators, Specialists and Analysts), considered outstanding employees of the year based on performance appraisal, are nominated;

/// significant additional "deferred" compensation in the year of receipt;

/// instrument of recognition, motivation, differentiation and long-term retention;

/// reinforcement of meritocracy culture, ARCO and expected standards of performance;

/// ensure that internal processes of succession and innovation/ operational efficiency are generally led by these talents.

## Recognize those who make a difference

To recognize the value of its employees, TOTVS implemented several actions in 2019. In the "You Make a Difference" program, awards were given to 31 TOTVERS from among over 400 professionals nominated by their colleagues for demonstrating behavior or working on projects aligned with the Culture.

"Achieve and Show" is a recognition program targeted at TOTVERS in the technology and services areas. These are TOTVERS who implemented projects with disruptive and incremental innovations that resulted in better customer experience.

The Long-Term Incentive (LTI) model is also targeted at TOTVERS, and not just at executives. The company's talents are invited to join this program which, in practice, makes these TOTVERS non-controlling shareholders of the company. In 2019, more than 230 TOTVERS benefited from this program, which corresponds to 4% of all eligible TOTVERS.

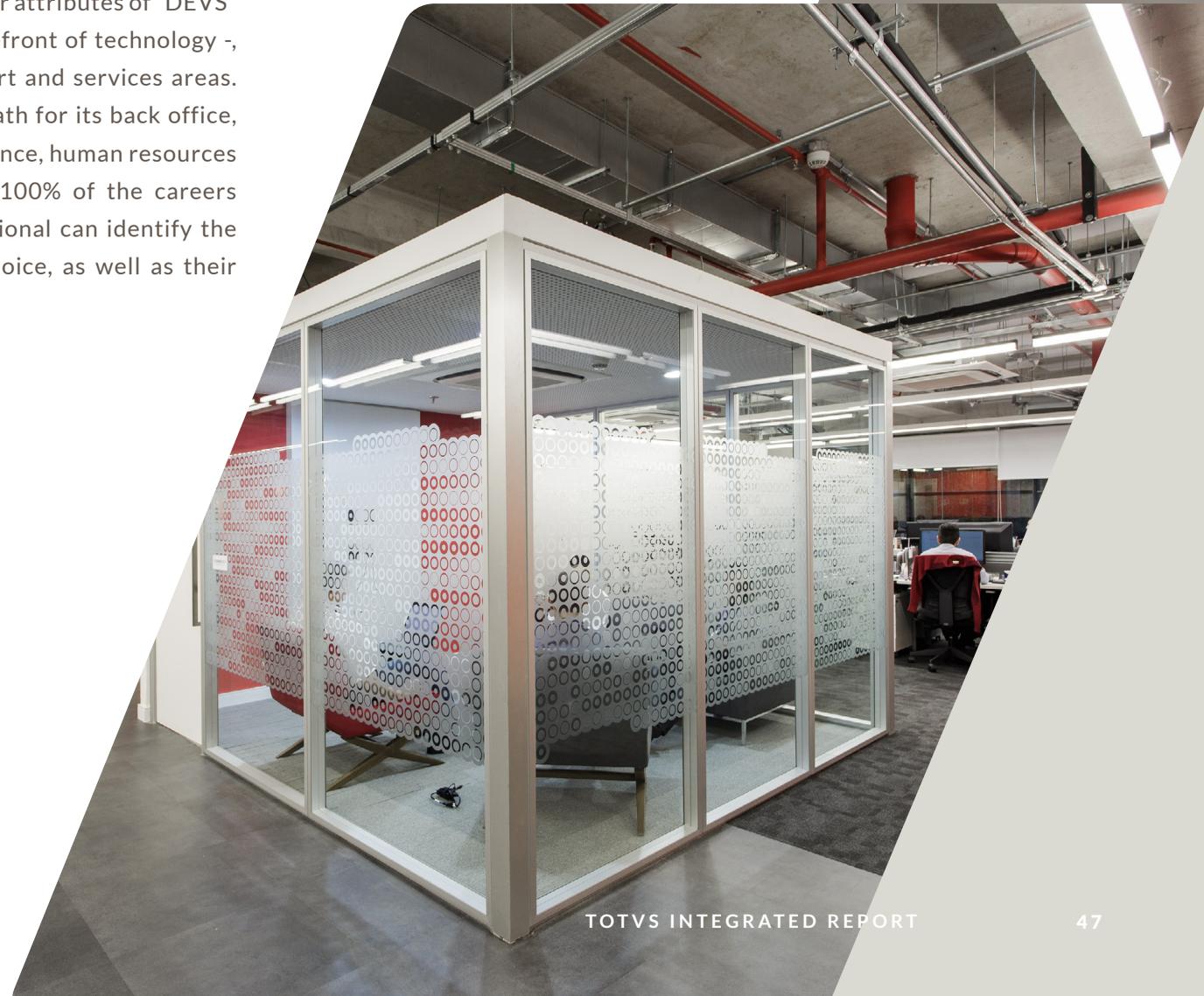
## SUCCESSION

TOTVS believes that a well-designed succession process is the guarantee for the continued growth of the company and for increasing its capacity to respond to both expected and unexpected changes. The process of mapping successors at TOTVS is carried out annually in the same period as the performance management cycle, with assessment and approval by the company management.

Potential successors at the first and second levels are nominated by TOTVERS who occupy the corresponding positions. The Human Relations area, along with the managers and the People and Compensation Committee, validates these nominations to identify and accelerate the development of skills required for the position, which also involves close monitoring by leadership and the creation of real and planned career opportunities considering the aspirations, desires and skills of TOTVERS.

## CONTINUOUS DEVELOPMENT

Technology is speed, agility, and a constant change in a segment that, by its very characteristics, is highly dynamic, with new areas and knowledge emerging all the time, driving the development of proactive, self-taught and collaborative professionals in sharing and generating knowledge on the network. To ensure stimulative learning mechanisms in the internal environment and lay down career development paths, TOTVS implemented a year-long project focusing on specific areas. The company redesigned the career attributes of “DEVS” - TOTVS developers, who are at the forefront of technology -, as well as professionals from the support and services areas. In 2020, the company plans to lay the path for its back office, which consists of the administrative, finance, human resources and marketing areas, thus completing 100% of the careers in the company. With this, each professional can identify the requirements for the career of their choice, as well as their strengths and points for improvement.



**TRAINING** GRI 404-1

In 2019, TOTVS offered approximately 158,000 hours of training, which came to 18 hours per TOTVER on average. This information refers to the number of TOTVERS that underwent any type of internal training (which may be multiplied by TOTVERS themselves or suppliers, depending on the business need and the planning of University actions), external training and training completed in online platforms. The increase in training hours compared to 2018 was due to the increase in the internal training programs conducted through multipliers in each area. Starting from 2020, the data collected will also measure the training hours per functional category (in the last two years, the data collected did not include this category).

**AVERAGE TRAINING HOURS BY GENDER** GRI 404-1

	2018		2019	
	Total hours	Hours per employee	Total hours	Hours per employee
Men	64,836	20.86	108,487	19.28
Women	29,071	16.24	49,151	16.84
<b>Total</b>	<b>93,907</b>	<b>19.17</b>	<b>157,638</b>	<b>18.45</b>

<sup>1</sup>Refers to training hours of the TOTVS operation, considering the companies acquired that are already part of the headcount (excluding franchises and channels).

<sup>2</sup>Including all TOTVERS who took any type of training during the year (including those who left the company for some reason in 2019).

<sup>3</sup>In 2019, the Bematech units were not considered.

Apart from formal and informal training programs, TOTVS also supports the development of TOTVERS through scholarships for academic studies (undergraduate degree, graduate degree/MBA, master’s degree and doctorate) and language courses. In 2019, the amount invested in scholarships was a little over R\$1 million. In all, TOTVS invested R\$5.1 million in scholarships, as well as internal, external and online programs and platforms for its employees in 2019. GRI 404-2

**INVESTMENT IN COURSES** GRI 404-2

	2018	2019
No. of scholarships <sup>1</sup>	560	527
Amount invested (R\$ thousand)	R\$1,131	R\$1,061

<sup>1</sup>Includes scholarships for undergraduate degree, language courses, graduate degree, MBA, master’s degree and doctorate. <sup>2</sup>For this report, the indicator amount was adjusted, considering the amounts invested in scholarships.

## PRODUCING AND SHARING KNOWLEDGE

Knowledge is created, learned and shared. TOTVS' commitment to the generation of knowledge and technological solutions for its internal stakeholders relies on the dissemination among TOTVERS through agile and intuitive communication channels. It is the case of the concept of a networked university and videos, in which specialists, teachers and artists will be the employees themselves. Thus, it represents an evolution of TOTVS University, the internal communication channel that offers part of the continuing education of the company.

## DIVERSITY AND INCLUSION GRI 405-1

For TOTVS, diversity is an inherent value of its work environment, an agenda that should be progressing over the coming years. In the Human Relations and Sustainability agenda, the Diversity and Inclusion pillar reflects the company's commitment to continuously improving its performance on SDG 5 (Gender Equality). In 2019, the company set up the Diversity, Inclusion and Social Responsibility area within the Human Relations structure, launched a process to identify the issues to be addressed by it in the coming years and rolled out a series of actions to underscore the importance of the theme.

As part of the sector's ecosystem, TOTVS reinforced the role of women in technology, whether through the participation of female specialists and executives from the company in external events, or through institutional support to third-party events, giving up the company's space for its realization. One of these initiatives was Conecta Empreendedoras an event organized by Grupo Mulheres do Brasil, whose mission is to inspire, train and drive sustainable female entrepreneurship. TOTVS hosted the event, which was held in November 2019, and held the opening workshop "Technology that Connects Businesses."

These actions aimed at exchanging knowledge and experiences were part of the process of building the Diversity Program, launched by TOTVS in March 2020. For this, the company set up a team focused on diversity and inclusion and conducted a confidential internal survey (which was optional) to gauge the perception of TOTVERS on diversity and inclusion in the company and then design the best strategies and fronts that will guide the Program and its related policies. In 2020, the program will focus on gender equality, seeking to bring information and knowledge on the topic to promote the culture of inclusion and, therefore, increase the number of women in leadership and technology-related positions.



## HUMAN CAPITAL #WEARETOTVERS

In 2019, the main diversity highlights of the company were:

/// In 2019, we held another edition of the **Festival of Social Impact**, which was extended to other cities where TOTVS operates apart from São Paulo, such as Belo Horizonte and Joinville. The goal is to value individuals and organizations that develop exponential and disruptive solutions that create a concrete and positive social and environmental impact on people's lives, society and the environment. The week's anchor theme was "Tech for good: Brazil that makes a difference" to discuss the role of technology as a tool for social transformation. The power of social transformation of large companies, more women in technology, diversity and inclusion, accessible design for TOTVS software, peripheral entrepreneurship and customized educational methods for youth and children in socially vulnerable situations were some of the highlights of the agenda that featured 18 panel discussions, 54 speakers, 5 cultural interventions and the participation of over 1,000 TOTVERS and external guests.

/// In February 2019, students of the Institute of Social Opportunity (IOS), maintained by TOTVS in partnership with other companies, participated in the **Diversity and Inclusion Startup Weekend** event organized by TechStars in Brazil. The event aims to stimulate entrepreneurship through social impact initiatives by underrepresented groups. In April, representatives of the projects that won awards at the program visited TOTVS in São Paulo. The visitors participated in a Design Thinking workshop at UX Lab, an environment manned by a team of researchers and designers exclusively dedicated to exploring market trends and improving the user experience of our solutions and services through constant research and field observation with clients. They also visited the Institute of Exponential Ideas (iDEXO), created by the company with the mission of connecting startups, entrepreneurs and developers with large companies in order to pursue new business solutions.

/// As part of the partnership with Instituto Luís Gama, TOTVS received at its auditorium, in April 2019, one more edition of the **Course "Structural Racism"**. Around 20 TOTVERS and IOS professionals participated in the event.

/// It was also held **#TogetherwithITLGBT** edition, with support from various TOTVS employees and partner organizations, such as Games Diversidade, which conducted the DiversiLAB workshop. Educators and team from the Institute of Social Opportunity hosted a workshop on programming logic for over 50 LGBT youth interested in pursuing a career in technology.



DIVERSITY AND EQUITY OF OPPORTUNITIES GRI 405-1

Employees by position and gender (%) <sup>12</sup>	2018		2019	
	Men	Women	Men	Women
Executive Officers and Managers	78.4	21.6	73.7	26.3
Managers	68.6	31.4	68.1	31.9
Coordinators	68.8	31.2	66.7	33.3
Specialists	75.8	24.2	77.3	22.7
Analysts	67	33	66.2	33.8
Technicians and Assistants	54.5	45.5	54.9	45.1

<sup>1</sup> The data include TOTVERS at branches in Brazil and excludes franchises. <sup>2</sup> Excluding statutory employees, interns and apprentices.

GRI 405-1

Employees by position, age group and gender (%) <sup>12</sup>		2018			2019		
		Below 30	Between 30 and 50	Above 50	Below 30	Between 30 and 50	Above 50
Executive Officers and Managers	Men	0	82.9	17.1	0	84.9	15.1
	Women	0	95.2	4.8	3.8	92.3	3.8
Managers	Men	4.5	85.3	10.2	6.3	83.5	10.1
	Women	6.2	88.9	4.9	2.7	93.2	4.1
Coordinators	Men	8.3	85.5	6.2	5.5	89.0	5.5
	Women	4.7	89.3	5.9	4.1	88.3	7.6
Specialists	Men	3.2	80.0	16.8	4.2	79.4	16.4
	Women	3.0	81.5	15.5	3.4	82.8	13.8
Analysts	Men	33.3	62.2	4.5	30.0	65.4	4.5
	Women	29.9	66.6	3.4	26.3	69.6	4.2
Technicians and Assistants	Men	68.1	29.4	2.5	71.0	26.8	2.2
	Women	58.9	38.8	2.3	64.5	34.4	1.1

<sup>1</sup> The data include TOTVERS at branches in Brazil and excludes franchises. <sup>2</sup> Excluding statutory employees, interns and apprentices.

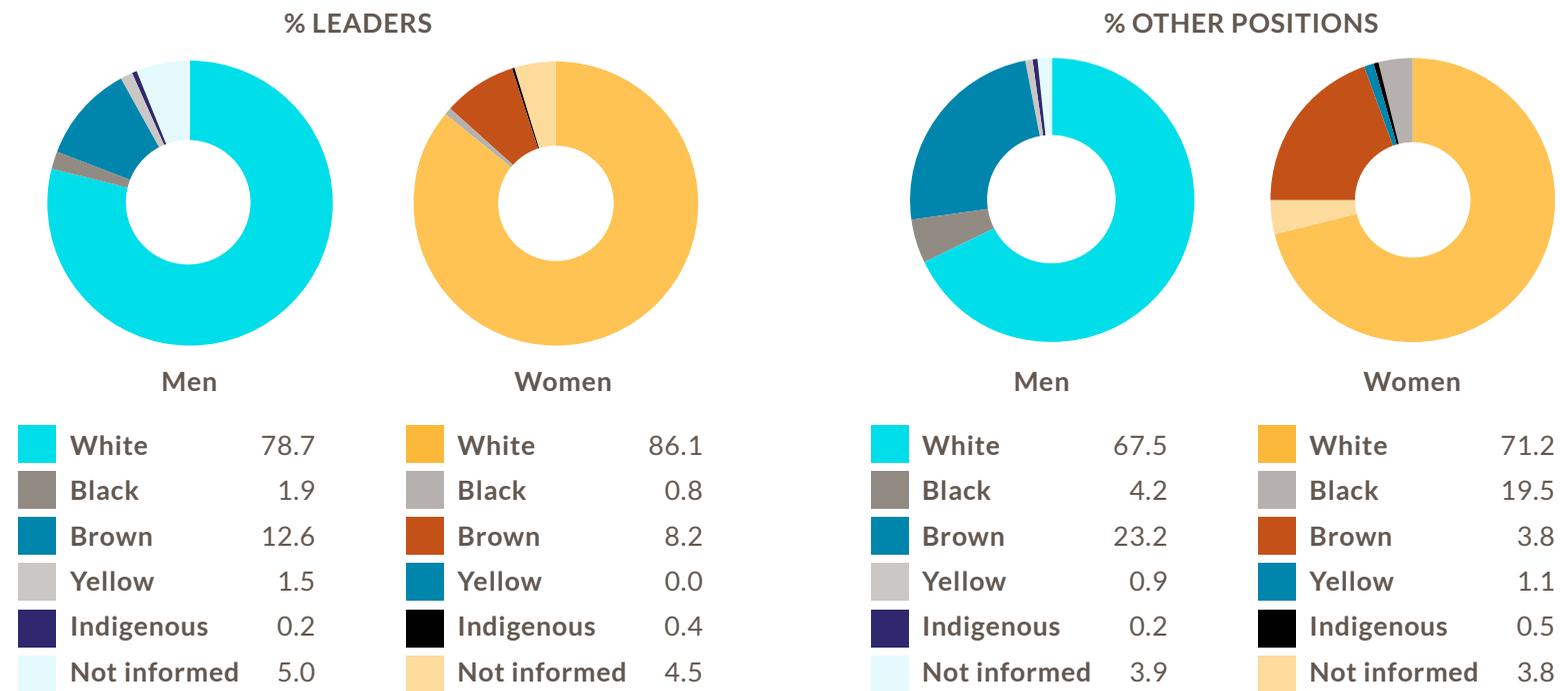


GRI 405-1

Employees with disabilities by position and gender (%) <sup>12</sup>	2018	2019
Leaders	1.3	1.1
Specialists	1.9	3.6
Analysts	21.2	25.4
Technicians and Assistants	75.6	69.9
Total	100	100

<sup>1</sup> The data include TOTVERS at branches in Brazil and excludes franchises.  
<sup>2</sup> Excluding statutory employees, interns and apprentices.

Race and ethnicity of employees by gender and position (%)<sup>1234</sup> - 2019



<sup>1</sup> Including TOTVERS at branches in Brazil and excluding franchises. <sup>2</sup> Excluding statutory employees, interns and apprentices. <sup>3</sup> According to the nomenclature used by the Brazilian Institute of Geography and Statistics (IBGE). <sup>4</sup> The positions of executive officers, managers and coordinators were considered leaders, while specialists, analysts, technicians and assistants were considered non-leaders.



## CARE AND HEALTH

The health of employees is an important issue for TOTVS and critical for the technology sector. The Specialized Occupational Safety and Health Engineering Services (SESMT) area belongs to the Shared Services Center (CST) and is responsible for ensuring the health and protecting the physical integrity of TOTVERS, as well as meeting the legal occupational safety and health requirements.

Compared to 2018, the number of lost days and injuries in 2019 decreased slightly, possibly due to the change in Brazilian labor laws regarding commuting accidents, which are no longer considered occupational accidents (the change took effect in November 2019). Moreover, absenteeism increased in relation to 2018 due to the implementation of a system that improved the collection, monitoring and systematization of the process.

### GRI 403-2

Number of injuries, occupational diseases and lost days <sup>12345</sup>	2018	2019
Occupational diseases	1	1
Number of lost days	659	629
Number of accidents	73	69
Absenteeism rate (%)	0.95	1.59
Deaths	0	0

<sup>1</sup> Including TOTVERS from TOTV S.A. branches in Brazil in 2018 and 2019 and excluding franchises. <sup>2</sup> This indicator considers Bematech units for 2018 and 2019. <sup>3</sup> Commuting accidents were considered until November 11, 2019, after which they ceased to be treated as occupational accidents due to a change in law (Provisional Presidential Decree 905, published in the Federal Register on November 12, 2019, which revoked Law 8,213/91). <sup>4</sup> To calculate the total lost days, the number of occupational diseases and accidents was considered, but minor injuries were not included in this case. <sup>5</sup> As for the absenteeism rate, both the days and hours of the certificates were considered, while leave of absence borne by social security were included. Maternity leave days were not considered. The calculation considered total lost days and days worked vs. the number of active employees.

To prevent and reduce the number of occupational accidents and diseases, TOTVS has a series of measures, such as ergonomic workstations, “blitz” on posture with information on how to organize workstations and make them ergonomic, as well as newsletters containing health tips sent to TOTVERS. In addition, the company also has the +Health program, which underscores its commitment to the health and well-being of TOTVERS and is divided into three pillars:

- 1- Health Promotion Programs
- 2- Prevention of Diseases
- 3- Encouragement to Physical Activity

### GRI 401-2

TOTVS also has a series of benefits and initiatives aimed at a healthier lifestyle, which include:

- /// Health and Dental Insurance to TOTVERS and their dependents
- /// Life Insurance
- /// Internal Clinical Support
- /// Monitoring of Chronic Diseases
- /// Monitoring of Hospitalizations
- /// Nutritional Monitoring and Support
- /// Vaccination Campaigns
- /// Group to Encourage Physical Activity
- /// 24/7 Emergency Channels
- /// Digital Health Information Channel
- /// Mother’s love: Health support and guidelines for pregnant women since the onset of pregnancy until the baby is 1 year old. Apart from support to mothers, TOTVS also has a lactation room at the head office in São Paulo and the Joinville unit in Santa Catarina. Being a member of the

Federal Government’s Corporate Citizen program, the company offers maternity leave of six months and paternity leave of 20 days. The retention rate of TOTVERS that return to work after a 12-month of leave is 83% for mothers and 91% for fathers, as shown below:

### GRI 401-3

Return to work and retention rate after maternity/ paternity leave <sup>1</sup>	2019	
	Women	Men
Employees who went on leave	125	120
Employees who returned to work after the leave period	125	120
Employees who returned to work from leave and were still employed after 12 months of their return	104	109
Retention rate of employees who returned to work after the end of leave (%)	100%	100%
Retention rate of employees who returned to work after 12 months	83%	91%

<sup>1</sup> Including TOTVERS from TOTV S.A., TOTVS TECHNOLOGY and TOTVS LARGER branches in Brazil and excluding franchises.

The company also has the following programs dedicated to mental health:

- /// Mental Health Guidelines and Monitoring
- /// Care for Welfare and Relaxation
- /// Exclusive Personal Guidance Channel that provides legal assistance, social support, psychological guidance and financial advice.

# INTELLECTUAL CAPITAL

*Organizational intangibles based on knowledge, including intellectual property, such as patents, copyrights, software, rights and licenses; “organizational capital”, such as tacit knowledge, systems, procedures and protocols.*

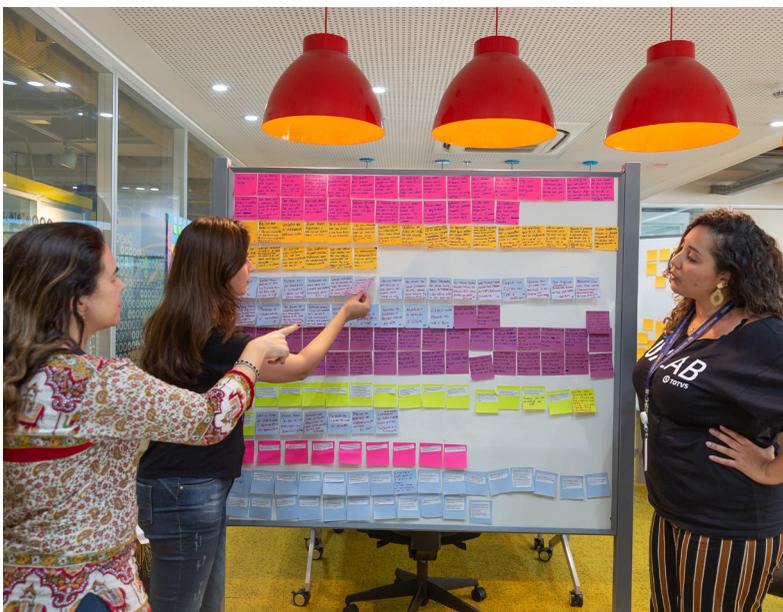


## INTELLECTUAL CAPITAL

### RESEARCH AND DEVELOPMENT GRI 103-2, 103-3

As a software company, TOTVS has technology as the foundation of its business, backed by highly-skilled teams and the development of agile solutions at the cutting edge of innovation. TOTVS seeks to meet the market demand for software and services, which is reflected in the continuous efforts by its research and development unit to develop cutting-edge software and services.

The company also invests in the development of new products in order to access new markets. To identify the products that must be developed, TOTVS conducts market research to identify business segments that need specific solutions and then develops solutions targeted at those segments. The research also aims to analyze, together with the sales channels, the potential segments that would drive the growth in business volume. Modularization has also been essential in TOTVS' growth strategies to stimulate the development of applications whose main solutions are run by internal and external developers (small software, app developers and technology startups).



### MAIN OBJECTIVES OF R&D

- /// Software improvements, enabling more efficient development of solutions;
- /// Adoption of new technologies and assessment of their impact;
- /// Technologies to ensure protection and safety of its products and operations;
- /// Creation and strengthening of a development ecosystem based on TOTVS tools;
- /// Improvement of concepts, functionalities and uses of software products;
- /// Development of special products for clients;
- /// Integration of third-party tools;
- /// Assessment of new organizational models and their applicability.

### NEW RESEARCH, DEVELOPMENT AND OPEN INNOVATION STRUCTURE

**R&D CENTERS:** Specialized in 12 strategic segments of the company, these are distributed all over the country, exploring the technological potential, economic vocation and supply of skilled human capital in these regions, creating opportunities and driving social and economic development. These centers have teams specializing in product and development, support, customer service and relationship, services (implementation), design and interface to meet the specific requirements of each segment.

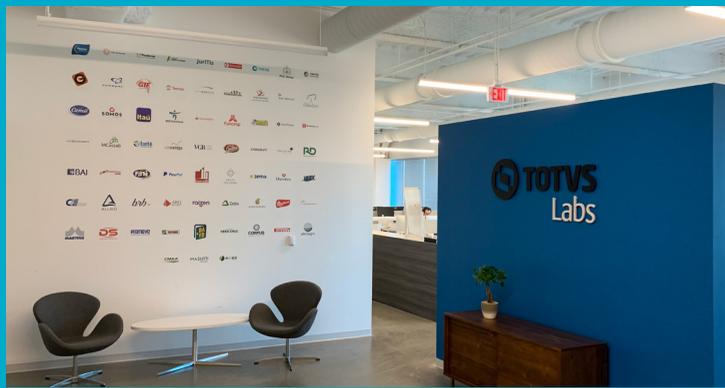
**UX LAB:** At the TOTVS User Experience Lab (UX LAB), researchers and designers are dedicated to exploring opportunities for innovation and the market trends in improving the user experience of solutions and services offered, through constant surveys, validations with clients and collaboration. Projects are executed using the Design Thinking approach and involve empathy, collaboration and creativity in order to discover new solutions based on clients' needs, constant improvement of processes, review of interfaces and navigability of products, while unifying the identity and unique experience of their solutions and disseminating the culture of design to company employees and clients.

**IDEXO:** Through the *Institute of Exponential Ideas* (iDEXO), TOTVS invests in fostering entrepreneurship and open innovation based on co-innovation among startups, entrepreneurs and developers. The mission of the non-profit Institute, located at the company's headquarters, is to identify innovative ideas that could be adopted and drive the exponential growth of TOTVS' and its clients' operations. It currently has more than 70 startups that serve the 12 economic segments in which TOTVS operates. In two years, over 200 clients of the company had their business issues resolved by a startup supported by iDEXO. The connection with the ecosystem of startups enables TOTVS to expand its portfolio of solutions for its clients and make the innovation process of companies even more agile, reducing costs and increasing revenue.

### USA TOTVS LABS NOW IN A NEW LOCATION

GRI 102-10, 103-2,103-3

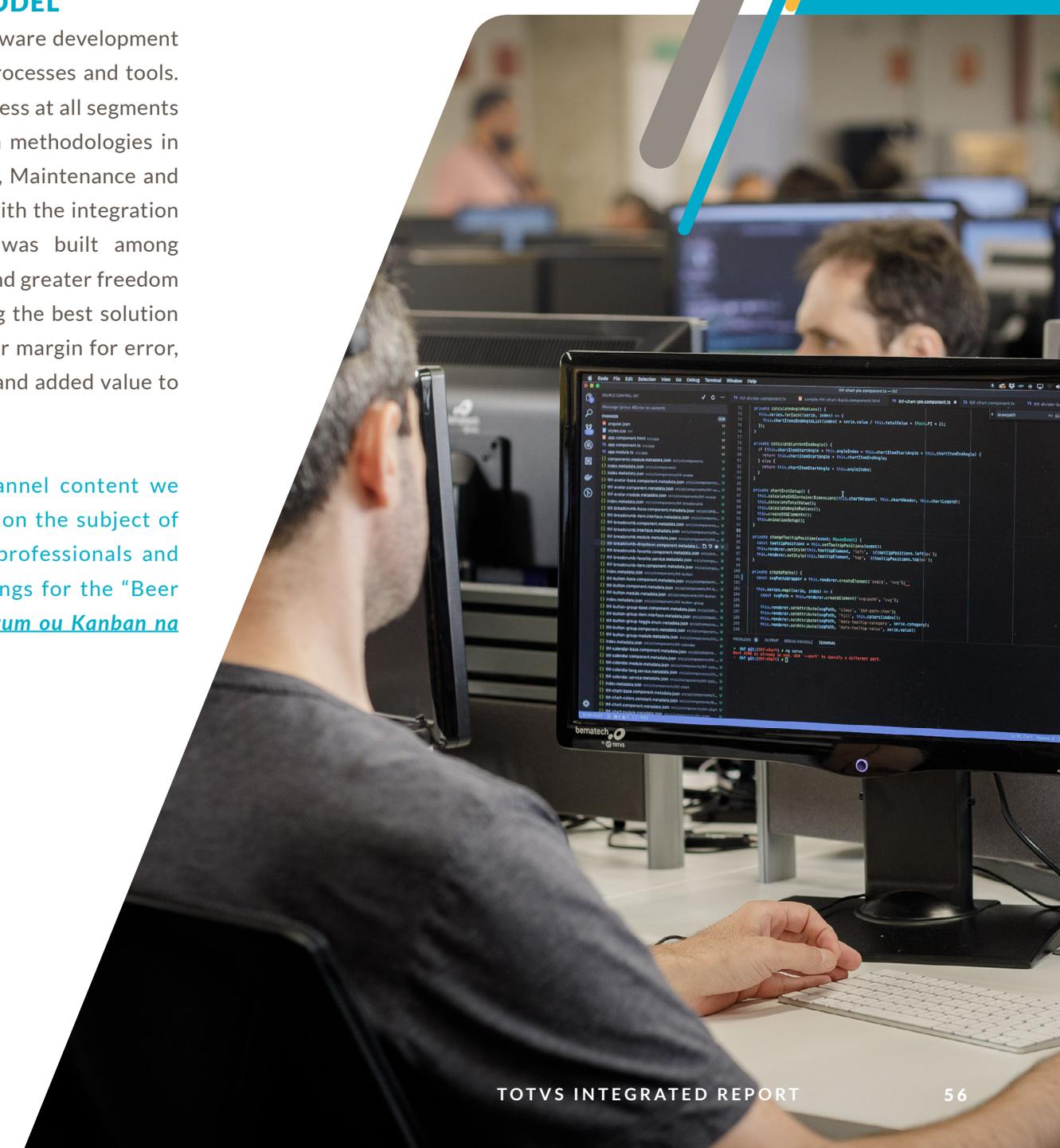
2019 also marked the change of address of the TOTVS R&D unit in the United States. TOTVS LABS, established in 2012 in Mountain View in the Silicon Valley, has moved to Raleigh, North Carolina. The city is located at one of the country's most important technology and research regions, known as the Research Triangle Park (RTP), the largest scientific research hub, in a region that boasts a robust technological environment and abundant supply of talent. TOTVS LABS has a multicultural team of approximately 20 people dedicated to identifying new business models and startups, establishing strategic alliances and transferring knowledge to other TOTVS business units. Among the key technologies worked on are Artificial Intelligence, Computer Vision, Natural Language Processing, Distributed Computing, 3D Printing, Robotics, Virtual Reality, Augmented Reality and UX Design.



### SOFTWARE AND SOLUTIONS BASED ON THE AGILE DEVELOPMENT MODEL

TOTVS is alert to leading global trends in software development and has been evolving significantly in agile processes and tools. It has implemented an agile development process at all segments of the company through the Scrum and Lean methodologies in the software development teams (Innovation, Maintenance and Testing) of the products. In the agile model, with the integration of teams, a highly collaborative process was built among professionals with a multidisciplinary vision and greater freedom for creation, who are dedicated to developing the best solution in a more consistent process that leaves lower margin for error, thereby guaranteeing high-quality deliveries and added value to the end client.

Check out on the company's YouTube channel content we have specially prepared to foster dialogue on the subject of agility at TOTVS, bringing together Devs professionals and market specialists in three thematic meetings for the "Beer for Devs" program: "[O Manifesto Ágil](#)", "[Scrum ou Kanban na Metodologia Ágil?](#)" and "[Como ser ágil](#)".



## R&D IN NUMBERS

- /// Over R\$1.5 billion invested in R&D in the last five years
- /// 2,200 TOTVERS in the R&D structure in Brazil and the international market (32% of our human capital)
- /// Implementation of Agile Model for software development, unifying and integrating all the Innovation, Maintenance and Support teams
- /// 185 Agile Development squads
- /// 50 UX projects with 24 areas and 69 people involved (Core Team) and 1,709 engaged customers
- /// 70 startups in iDEXO and over 200 TOTVS clients with issues resolved
- /// Over 90 patents and 100 software trademarks
- /// Strategic partnerships with universities, research institutes, incubators and other companies for innovative projects

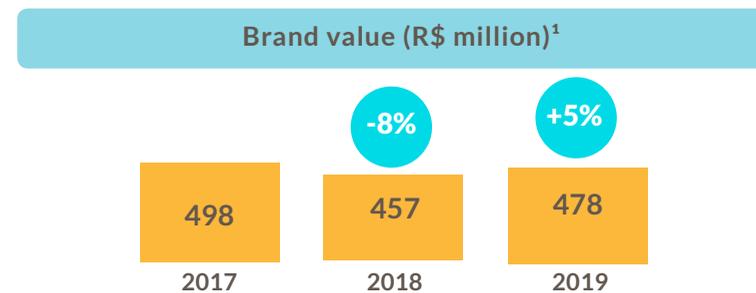
Over the years, TOTVS has consolidated its ERP market leadership in the small and medium business segments. Investments in research and development were essential for TOTVS to stand apart from competition by bringing innovative solutions powered by proprietary technology and providing value-added services.

## TOTAL INVESTMENTS IN RESEARCH AND DEVELOPMENT (R\$ MILLION)

Year	Amount invested	% of Net Revenue
2019	R\$397.8 million	17.4%
2018	R\$382.0 million	18.0%
2017	R\$343.3 million	17.2%

## BRAND

Solid trajectory, close understanding of the reality and specific demands of strategic segments, highly-skilled and innovative teams that are committed to offering the best solutions and customer service. These are some of the attributes of TOTVS, which is also recognized for its strong corporate governance and permanent commitment to the development of the technology sector and the growth of the country. It is a consolidated and respected brand, and is the only technology company in Interbrand's "The most valuable brands in Brazil" ranking.



<sup>1</sup> Amount according to Interbrand survey ranking.

## CERTIFICATIONS GRI 103-2,103-3

The following certifications are an important tool for continuously improving the management of processes and controls at TOTVS.

**TIER** - Effectively assesses the structure of datacenters in terms of business requirements for system availability, based on performance or functioning time expected from the site infrastructure. Currently, TOTVS has the TIER III certification. MPS BR - Reference model for processes containing good software development practices, aimed at increasing competitiveness and improving software development processes in Brazil's software market.

**ISO 9001** - Standardization certificate that specifies a set of requirements aimed at guiding companies in the quality management system in order to satisfy clients, pursue constant improvement, and assure competitiveness and quality at companies.

**ISO 27001** - ISO/IEC is the international standard for information safety management. It describes how to put into practice an information safety management system and enables confidential and sensitive data to be protected, thereby minimizing the chance of their being accessed illegally or without permission and ensuring that they are available when necessary.

**ISAE 3402** - ISAE 3402 is a formal report used by service providers and is prepared by an independent audit firm, which describes the development, implementation and operational effectiveness of the controls of an organization, guaranteeing the quality and control of services provided, and mitigating risks for clients.

# SOCIAL AND RELATIONSHIP CAPITAL

*Relations within and among stakeholders,  
and the capacity to share information to improve  
the individual and collective well-being.*

*Social and relationship capital covers: shared  
standards, as well as common values and behaviors;  
relations with key stakeholders, trust and  
commitment to building and protecting external  
stakeholders; intangible assets associated  
with the brand and reputation; operating  
permit of an organization.*



**CLIENTS** GRI 103-2,103-3

“TOTVS believes in a Brazil that GETS THINGS DONE”

What moves so many companies across Brazil closer to their dreams? What makes them move forward despite all challenges? DOING IT! No matter how many times. Doing, testing, making mistakes, learning. That's the strength that leads companies of all sizes in our country to surmount obstacles every day. We are proud to be a part of so many stories. Of helping so many clients to innovate, grow and perpetuate their business.

In 2019, TOTVS began repositioning its corporate campaign and its signature. As Brazil's largest technology company, it reiterates its purpose of simplifying the world of business, as one of the Brazilian companies that believe and invest in the country and are a benchmark in their sectors. Its "Brazil that GETS THINGS DONE, DOES with TOTVS" campaign reiterates the company's commitment to support and walk alongside companies that drive the country. And for that, it brings the voice of those who turn the economy's wheel in every nook and

corner of Brazil. The company's clients are entrepreneurs from the country's north to south, of different sizes - from micro and small to large companies -, have different purposes and beliefs, but all of them share a common goal: to perpetuate their business and help build a better country. As with many of these companies, TOTVS shares moments of challenges and achievements. This "doing together" means for TOTVS to have a business that is part of the business of more than 30,000 companies in 12 segments that innovate, transform and get things done.



### TOTVS BELIEVES IN A BRAZIL THAT GETS THINGS DONE

With the slogan, TOTVS believes in a Brazil that GETS THINGS DONE, the company launched a series of media and marketing actions. These are stories of challenges and surmounting them, of innovations and transformations, which enabled these companies to perpetuate their business. And TOTVS is very proud to be part of these journeys. These actions include an audiovisual campaign featuring entrepreneurs talking about TOTVS' technology and partnership in their companies

[Click here to know customer success stories.](#)  
(\*Information available in Portuguese only).



### ALL SIZES, ALL OVER BRAZIL GRI 102-43

At the heart of TOTVS' business model is its relationship with clients. Since the first contact, TOTVS teams and processes strive to identify the specific needs of each company - whether by size or segment, while also considering the characteristics of the markets, audience segments and locations where they operate. The company adopts the AR Theory (Service and Relationship), in which the same team that sells also provides the service. This proximity is also possible thanks to the TOTVS Distribution Model, which combines its own units with its franchise network. Such a structure means agile and customized service according to the size of the client, being close and present where the client is located. See more details of the service structure and the customer journey in "TOTVS" in Manufactured Capital section.

### DIFFERENTIALS OF FRANCHISE MODEL

- /// Regional reach – footprint in all states and major economic hubs
- /// 650+ people in sales and marketing fields. Over 3,000 people in deployment service areas
- /// Nearly 50% of new sales are generated by TOTVS franchise network
- /// Regional experience: regional accent, regional knowledge and regional entrepreneurs
- /// Local support: presence of franchises helps strengthen regional entrepreneurship and appreciating technology as an instrument of business development
- /// Quality: standardization in sales, service and deployment of TOTVS solutions nationwide
- /// Commitment to TOTVS: exclusive rights in distributing TOTVS solutions

### UNIVERSO TOTVS IS BACK

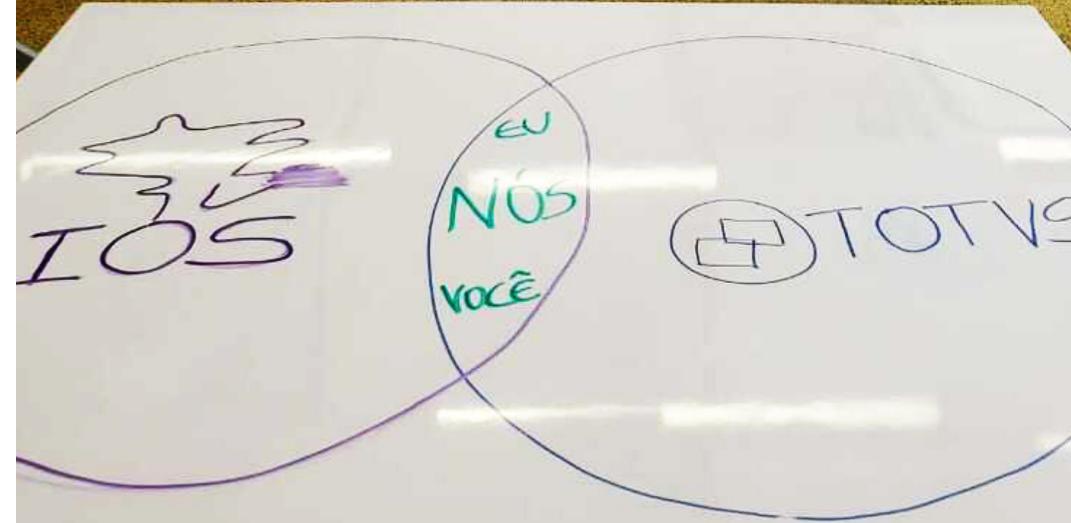
The 2019 edition of Universo TOTVS, held in June, was a success. After a 4-year break, the event featured 4,500 participants a day, 60 exhibitors and 200 hours of events. The two days were replete with activities ranging from master classes featuring Brazilian and international keynote speakers, segmented tracks, which brought cutting-edge content to the market. This edition saw several activities targeted at the tech audience. The agenda included prominent names in the technology sector, "Code & No Code" sessions to create prototypes with the company's platforms and "Coffee & Code" space set up to provide in-depth knowledge of programming language to visitors. Results couldn't have been better: tech enthusiasts and developers embraced the proposal and enjoyed and shared their experiences with the TOTVS technical team.



## SOCIETY GRI 103-2,103-3

A 100% domestic company, TOTVS is a partner in Brazil's development. Its commitments go beyond its ecosystem and reach the broader society with the responsibility of being the country's largest technology company. It understands that its legacy includes fostering the development of the tech sector, especially among youth, so that they can dedicate themselves to future careers while also acquiring the skills to understand problems and propose solutions, not just as techies but also as citizens who can positively intervene in their own realities and communities.

As such, the diverse social and environmental responsibility initiatives promoted by it include the Institute of Social Opportunity (IOS). TOTVS also takes part in groups and institutions that promote the sustainable development of companies, human rights, as well as proactive approach and citizenship of people. In 2019, the company participated in a training program on Due Diligence in Human Rights as part of an event organized by the UN Global Compact, at the House of United Nations in Brasilia, and also hosted the Workshop on Transparency in Human Rights organized by the Ethos Institute in partnership with the Fundação Getúlio Vargas (FGV). The company is also a signatory to the Ethos Institute's Business Pact for Integrity and Against Corruption. As for its software, the company has dedicated efforts to make its products increasingly accessible to people with special needs.



## PARTNERSHIPS TO GROOM FRESH TALENT

In addition to in-house training programs, TOTVS also engages with other players in the ecosystem to groom new professionals in the country. Through a partnership with the São Paulo State Government, coordinated by the Centro Paula Souza, it participates in the My Chance Program, which provides training for young students from the State Technical Schools (ETECs) and State Technological Colleges (FATECs). This is also the mission of the Institute of Social Opportunity (IOS), an institute supported by TOTVS which offers training in the areas of business management and technology.

## INSTITUTE OF SOCIAL OPPORTUNITY (IOS)

Established in 1998 by volunteers from TOTVS, then known as Microsiga, IOS is a non-profit institution supported by private initiative, which provides training for youth in socially vulnerable situations and people with special needs to prepare them for the labor market, and providing access to technology with the main goal of employing qualified professionals in the economy of the future. IOS' professional training model offers business management and information technology programs, which include modules on Digital Education, Citizenship, Sustainability, Math, Communication and Expressions, Soft skills, as well as psychosocial assistance by a multidisciplinary team consisting of psychologists, social workers and psychopedagogists. During the program, students get the chance to apply the concepts using software available in the market. Since its creation, it has trained over 36,000 students. The target audience of the Institute is socially vulnerable youth and disabled people aged between 15 and 29. Of the

IOS students, 90% have studied in public schools, 57% are women and 57% are black. IOS functions in the states of São Paulo (interior region and greater São Paulo), Minas Gerais, Santa Catarina, Rio de Janeiro, Rio Grande do Sul, Paraná and Pernambuco.

The focus is on the employability of these youth. Every year, more than 2,000 youth are trained and, of these, about 1,000 on average are employed by partner companies in diverse various segments and TOTVS, creating a strong direct social impact on employment and income generation. The new job opportunity also represents, according to a survey by the Institute, an increase of about 47% in the household income when a student starts working. In 2019, IOS had more than 3,000 students, of which 2,250 completed their vocational programs and 1,400 landed their first job. TOTVS invested more than R\$5 million in the Institute in 2019. For more information about IOS, visit: [www.ios.org.br](http://www.ios.org.br). GRI 203-1



### INITIATIVES TO FACE COVID-19

In response to the COVID-19 pandemic, TOTVS implemented several actions to maintain the relationship with its ecosystem active and to promote social responsibility across the sector and society, such as:

#### /// Provision of distance training platform

Understanding the importance of quality training, TOTVS offered its distance training platform free of charge for use during the physical distancing period to broaden the knowledge of content that impact the performance of those interested in working in the technology sector. A total of 32 batches (50 seats in each batch) were offered training on TOTVS' Protheus and RM lines, as well as the TOTVS Moda product, targeted at the textile production chain.

#### /// TOTVS Project and IOS - Everyone Together for Economic Resumption

The activities of the Institute of Social Opportunity, social investment of TOTVS, which offers free professional training on business management and information technology courses for youth in socially vulnerable situations and People with Disabilities, were also impacted by the pandemic. The two main problems reported by students were lack of Internet access (two-thirds could not attend classes because they did not have durable connectivity and data package availability) and, in many cases, the problem was lack of food for their families' survival. With this in mind, TOTVS launched an internal campaign to collect Food Cards and donate data packages that aims to provide the opportunity to continue studies for part of students enrolled in courses in the second semester, those in greater social vulnerability.

The campaign was also carried out at TOTVS units in the International Market. In Argentina, blankets were collected to help homeless families in vulnerable communities in Greater Buenos Aires, assisted by the NGO Manos en Acción. In Mexico, support was provided for the purchase of basic food baskets for extremely vulnerable families in the city of Chiapas, a region with high poverty rates in the country, through the NGO Aldeias Infantis.

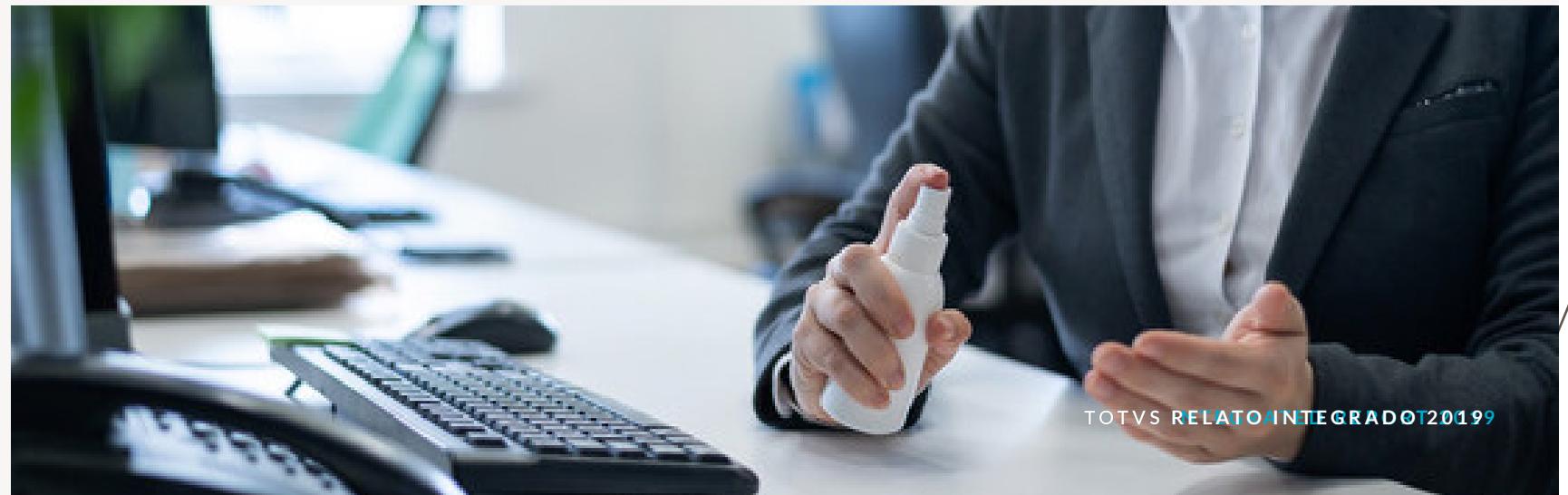
#### /// Minimum Protocol for Return for Information Technology and Communication Sector

TOTVS helped prepare the Minimum Protocol for Return to activities by the Brazilian Association of Information Technology and Communication Companies (Brasscom). To offer inputs for enabling a safer return by employees to onsite work, the protocol was based on best practices and recommendations from health authorities, as well as the qualitative survey conducted among Brasscom members in April 2020. The document is divided into 4 topics: Physical distancing and new behaviors; Hygiene and sanitization at the company's facilities; Raising awareness; and Care for professionals. Driven by its commitment to the health and safety of its employees, TOTVS adhered to the Protocol as

a tool to face the pandemic, in order to mitigate the risks of the spread of Covid-19 and unite the IT&C sector in overcoming the important social and economic challenge imposed by pandemic.

#### /// Leadership in the construction of the "Todos Juntos" industry project.

TOTVS has also been leading the development of "Todos Juntos" (Everyone together), a nonprofit, collaborative project involving the Information Technology and Communication companies affiliated to Brasscom. The initiative aims to ensure a safer and more organized return to the physical working environment, managing the economic impact of the pandemic and certifying the health status of employees to ensure a safe and organized return to the physical working environment after the physical distancing period. Companies that join the project will, in partnership with clinical laboratories, conduct periodic examinations of their employees in order to certify whether they can return to the working environment. "Todos Juntos" is an app with individual and unique access for each employee, who can check their exam results in the form of status, access the company's guidelines, check the history of exams undergone and other precautionary measures.



## INNOVATION COMMUNITY

### IDEXO: STIMULATING THE INNOVATION ECOSYSTEM 103-2,103-3

Founded by TOTVS in 2017, iDEXO is an institute that connects startups, entrepreneurs and developers to create new business solutions. Its mission is to generate concrete business deals between large companies with some need for innovation and startups with exponential solutions. Conceived in the open innovation platform model, iDEXO has already assisted 70 startups in two years, operating in 12 segments related to the operations of TOTVS and its clients. Learn more about iDEXO.



### TOTVS DEVELOPERS

It is a technically oriented blog to share experiences and knowledge by bringing together all those interested in trending topics related to software development. The target audience consists of Developers, DevOps, Solutions Architects, SysAdmins, Data Scientists and Technology specialists. With the new channel, TOTVS underlines its strategy of revamping its image in the development market and reaching out to this audience, while also seeking to attract and retain talent. The key players are the company's developers who share their experiences and show how innovation and development are handled in the company's development cells. The portal also encourages and facilitates the engagement of professionals and companies wishing to collaborate with TOTVS platforms, providing a guidebook for integrating the company's APIs, a library for the development of responsive web and mobile apps, a code testing area in diverse programming languages and other tools. Innovation, technology, knowledge, enthusiasm, creativity and curiosity are the guiding principles of this network. The community now has over 10,000 members in its blog, 6,000 members in its official website and 1,700 subscribers on YouTube. Learn more details about the initiative by visiting the [Blog's official website](#) and join us to learn, share, collaborate and discuss the main topics on technology.

### GENERATING KNOWLEDGE AND TECHNOLOGY IN THE NETWORK

TOTVS fosters the growth of the technology sector and the increase in the number of people involved in the tech universe. As for its relationships, it holds events focused on the tech audience and stimulated the exchange of know-how among the players in the technology sector. One of its initiatives is the Beer for Devs, a YouTube show akin to a "happy hour", with developers talking about different technology topics. Following this same "open knowledge" principle of sharing know-how, TOTVS launched in 2019 the Portinari UI Project, a virtual open source library.

## SUPPLIERS

GRI 102-9, 102-43, 414-1

TOTVS' supplier chain is formed by companies in the segment of development of software that the company markets, as well as technological platforms and databases that are resold to customers. The company's supply chain also includes consulting services in different areas such as audit, marketing, building infrastructure services such as cleaning, security and maintenance services, as well as assorted supplies, such as office, hygiene and consumption, administrative materials, among others. Materials and services are mostly provided by suppliers located in the same city as TOTVS branches and companies.

The process for contracting suppliers and/or service providers complies with the company's Procedures for Acquisition of Products and Services and on Management of Supplier Agreements and its Code of Ethics and Conduct, considering equitable assumptions such as price, delivery deadline, payment terms, quality and others.

Agreements set forth obligations regarding compliance with the Anti-Corruption Law, labor obligations and the guarantee that there is no slave-like or child labor, in addition to clauses indicating respect for human rights and diversity in all its forms, as well as environmental standards. We also encourage our suppliers to demand the same in their supply chains. Learn more in our Governance chapter.

In addition, since 2018, TOTVS has intensified the supplier management process through a platform connected to the

system of registration, which digitally analyzes aspects related to the identification and assessing of compliance risks, among others. This assessment is made to ensure that TOTVS does not do business with suppliers involved in any kind of illegal or wrongful practices, pursuant to the anti-corruption laws in force and in line with the ethical principles adopted by the company.

## GOVERNMENT GRI 103-2, 103-3

TOTVS believes that advocating for the sector in favor of aspects it deems essential for the country's development means strengthening its responsibility as a company and expanding its positive social impact. The Institutional and Government Relations team strives to make TOTVS a leading player in the country's development agenda. Through an agenda addressed jointly with other sector players, in 2019 it sought an increasingly closer, technical and transparent relationship with the Executive and Legislative branches to formulate and improve public policies that bring economic growth and social progress using technology. The more prominent use of technologies as catalysts of development, have sparked the interest of the public sector in debates that permeate the regulatory agenda of the sector, including issues related to the business environment and the prosperity of the IT sector itself.

### RELATIONS GUIDED BY ETHICS AND TRANSPARENCY

**ETHICAL AND IMPARTIAL CONDUCT** - the company values ethical and responsible conduct in its relations with government authorities and forbids any illicit practice, strictly in compliance with the Anti-Corruption Law (12,846/13). It does not take any political stance and does not take any initiative that could be construed as benefiting politicians or parties. It fully respects the right of TOTVERS to actively participate in Brazilian politics, encouraging them to fulfill their duties as citizens.

**GIFTS AND PRESENTS** - it complies with Resolution 3 (11/23/2000), which regulates the handing of gifts and presents to public authorities, as well as the policies and/or codes of the respective public agents, bodies and entities to which they belong. With regard to gifts, it permits the delivery of corporate items with the TOTVS and/or IOS logo to public agents. As for presents, no employee, contractor, agent, franchisee or any other person acting on behalf of TOTVS is allowed to deliver presents to any public agent.

**DONATIONS AND PECUNIARY CONTRIBUTIONS TO PUBLIC AGENTS** - it forbids all types of contributions, donations and payments, whether pecuniary or not, to Public Agents, as well as any kind of support for election campaigns by public or private agents.

## ENTITIES IN TECHNOLOGY SECTOR

### ENGAGEMENT IN INDUSTRY ASSOCIATIONS AND ORGANIZATIONS GRI 102-13

TOTVS actively takes part in the main discussions focused on the development of the technology sector and in entities that are relevant for our business segments, such as:

- /// Brazilian Association of Software Companies (ABES)
- /// Rio de Janeiro and Minas Gerais branches of the Association of Brazilian Information Technology Companies (Assespro/RJ and Assespro/MG)
- /// Association to Promote the Excellence of Brazilian Software (SOFTEX)
- /// Business Mobilization for Innovation Committee of the National Confederation of Industry (MEI/ CNI)
- /// American Chamber of Commerce Brazil-United States (AMCHAM)
- /// IT Executive Bureau of the Ministry of Economy;
- /// Manufacturers' Board of the Brazilian Association of Trade Automation (AFRAC)
- /// Associação Brasileira de Internet Industrial (ABII)
- /// Agribusiness Network (RedeAgro)
- /// Brazilian Franchising Association (ABF)
- /// Brazilian Association of Publicly Held Companies (ABRASCA)
- /// Board of Directors of the Brazilian Association of Information and Communication Technology Companies (BRASSCOM)
- /// Board of the National Association for Research and Development of Innovative Companies (ANPEI);

Some notable corporate events that TOTVS sponsored and participated in helped disseminate information and good sector practices.

**Brasscom TecFórum:** event that promotes dialogue between public and private agents, encouraging them to reflect on technology, public policies and digital government in order to achieve a Digital, Connected and Innovative Brazil. The company's founder, Laércio Cosentino, chaired a panel with the Brazilian Association of Information Technology and Communication Companies (Chairman Sérgio Paulo Galindo) and the Ministry of Science, Technology, Innovation and Communications (MCTIC - Executive Secretary Júlio Semeghini). In the same event, a TOTVS Labs representative spoke on Carol, the artificial intelligence platform developed by team members in Brazil and the United States, which contributes to meeting Brazil's challenge in education, tackling the high dropout rates faced by universities.

**18th ANPEI Conference on Innovation:** forum in which company representatives, government agencies, as well as science, technology and innovation (ST&I) institutions came together to discuss and propose policies and practices focused on innovation in companies and the country. Among the issues raised by the company was its vision on data security and the partnership between TOTVS and IOS in social inclusion through vocational training on technologies of the future.

**8th Brazilian Congress on Innovation in Industry:** organized by Brazil's National Industry Confederation (CNI) in 2019 to promote the culture of entrepreneurial innovation, as well as

discuss proposals and opportunities for Brazil in light of the technologies available and to spread innovative experiences and reinforce the national innovation ecosystem. TOTVS was represented by Laércio Cosentino in the panel discussion on "Innovative Brazil: the most important developments".

**Abes Conference:** the event provided an opportunity to discuss ways to make Brazil an increasingly vibrant, prosperous and globally competitive economy by building an ecosystem that favors innovation and is attractive to investors.

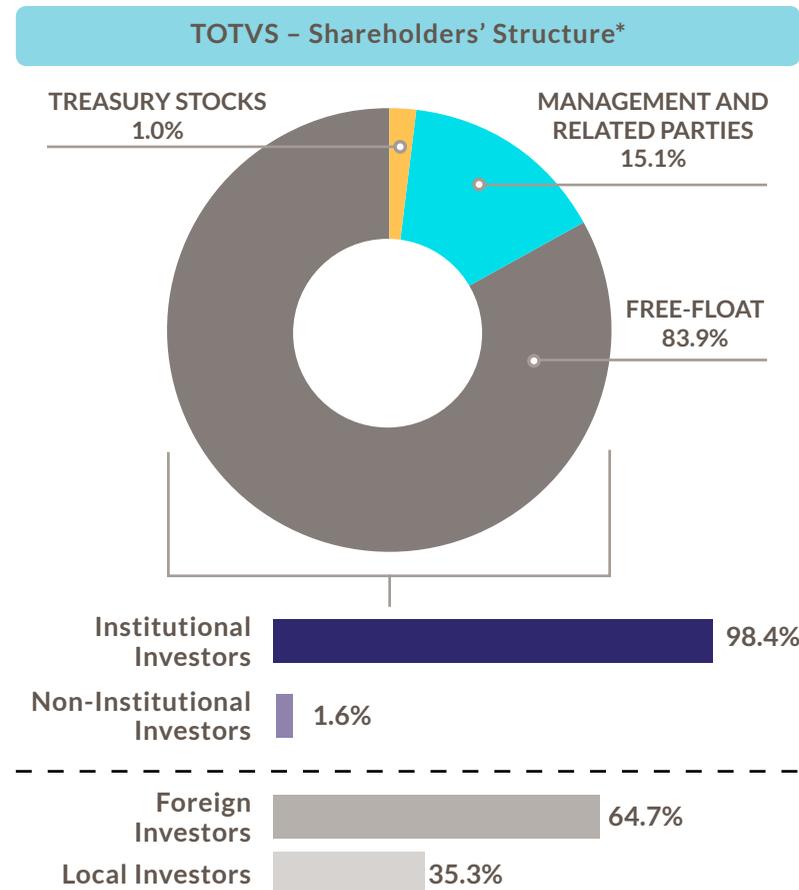
**São Paulo Tech Week:** the innovation and technology festival that values São Paulo's entrepreneurial and innovative vein, which featured more than 500 activities and events on diverse topics, such as programming and systems development, IoT, AI, digital transformation, diversity and digital inclusion, talent attraction, industry 4.0 and many other topics. TOTVS participated with the focus on diversity and inclusion, women in technology and design thinking.



\*Considers expenses with participation in associations, industry organizations, agendas and development forums that help improve the business scenario in the information technology sector and foster discussions of public policies.

## INVESTORS GRI 102-7

TOTVS ended the year with capital stock of R\$1,382,509 thousand. At the end of 2019, the capital stock of the company was composed of 192,637,727\* common shares, with 85.0% being free float, of which 98.4% was held by institutional investors and 64.7% by foreign investors.



\*In the current fiscal year, on April 27, 2020, the Management approved the stock split of all the shares issued by the company at the ratio of one common share to three shares of the same type (1:3), with no change in the capital stock, and the aforementioned numbers do not reflect this effect. As a result, the number of common shares comprising the company's capital stock increased from 192,637,727 to 577,913,181.



## STOCK MARKET

The improvement in the economic scenario and key indicators such as GDP, IGP-M and IPCA and the monetary policy during the period helped boost the sharp demand for variable rate investments, which had a positive impact on the capital markets, with the Ibovespa stock market index breaking consecutive historical records in 2019 to reach 115,000 points, an increase of 31.6% year-on-year. According to data released by the United Nations Conference on Trade and Development (UNCTAD), Brazil was the world's 4th most attractive destination for foreign investments during the year, which reached US\$75 billion in 2019, as against US\$60 billion in 2018, an increase of 26%.

In 2019, TOTVS shares (B3: TOTS3) rose 137.8%, while Ibovespa index rose 31.6%. Average financial volume in 2019 stood at R\$67.1 million/day, compared to R\$16.0 million/day in 2018. In 2019, the average price of shares was R\$47.48, and the total financial trading volume was R\$16.6 billion, five times higher than in 2018. For more details on trades in the last 3 years, see item 18.4 of the Reference Form.

## RETURN OF TOTVS DAY GRI 102-43

In response to renewed interest in TOTVS, the Investor Relations department and other executives held numerous dialogues with investors and shareholders over the past year, and began 2020 with the return of Investor Day, which was held in February at its technological campus in São Paulo. The event, which had not been organized since 2017, was attended by more than 250 people including investors, analysts and capital market professionals. Visitors watched presentations, both in person and via webcast, and participated in a Q&A session with the entire executive board of the company. The topics of the presentations included: competitive landscape; vision of the future; human capital; client journey and distribution platform; core business of management; *Techfin*; and Business Performance. Videos of the presentations and other materials are available on the TOTVS Investor Relations website: <https://ri.totvs.com/en/capital-markets-communication/totvs-day/>.

## SOCIAL NETWORKS

In order to enable a greater connection and communication with its different audiences, is present in several networks, bringing their followers of the Company's practices and purposes, such as:

**Institutional website:**

[www.totvs.com](http://www.totvs.com)

**Investor Relations website:**

[ri.totvs.com/en/](http://ri.totvs.com/en/)

**Twitter: @totvs**

**20.918 followers**

**LinkedIn: [br.linkedin.com/company/totvs](http://br.linkedin.com/company/totvs)**

**545.970 followers**

**Instagram: [www.instagram.com/totvs](http://www.instagram.com/totvs)**

**34.545 followers**

**Youtube: [www.youtube.com/totvs](http://www.youtube.com/totvs)**

**19.200 subscribers**

**TOTVS Channel:** focused on content, it features videos about management, technology and the geek world.

**TOTVS Solutions channel:** focused on products, it features video cases, webinars and demos for our clients.

**Blog TOTVS: <https://www.totvs.com/blog/>**

Focused on management content and softwares for companies.

**Product Portal TOTVS: <https://produtos.totvs.com/>**

focus on releases and novelties of TOTVS solutions.

### ENGAGEMENT IN SOCIAL NETWORKS – 2019 GRI 102-43

#### LinkedIn

##### Towel Day

Every year on May 25, all TOTVERS - the Hitchhikers of the Galaxy - bring their towels and embark with the company on the Douglas Adams' incredible trip!

The #TOWELDAY and also the #GEEKPRIDEDAY mobilizes TOTVERS all over Brazil to dress up like their favorite characters, inspired by this very special and present movement in our culture.

##### Programmer Day

On programmers' day, the company brings its programmers together to talk about main tips for the daily routine in a special livestream on the subject in its LinkedIn profile.

#### YouTube

##### Beer For Devs

A program in which developers talk about diverse technology issues.



# NATURAL CAPITAL

*All renewable and non-renewable resources and processes that provide goods or services that support an organization's past, present and future prosperity. This includes: water, land, minerals and forests; biodiversity and health of the ecosystem.*



## NATURAL CAPITAL

As a technology company, TOTVS plays an important role both in monitoring and managing the impacts generated, as well as in developing products and services with the potential to drive the efficient use of resources and mitigate impacts from the operations of its clients.

Through artificial intelligence, the Internet of Things and machine learning, for instance, it is possible to streamline processes, increase productivity and thus improve the use of natural resources, whether in agriculture, industry, retail or hospitals, to name a few activities that improve their performance by using technology. This is the case of the positive technological effect on logistics, which ensures more efficient modes and better management of transport, an important factor when it comes to combating climate change.

In 2019, to reinforce the sustainability agenda in the company, we established the TOTVS Environmental, Social and Governance Working Group (ESGWG). Its mission includes the development of an action plan to integrate sustainability into company's management, governance and strategy. The plan is being prepared based on the priority issues and their relation with the United Nations Sustainable Development Goals (SDG), which include the SDG 12 regarding responsible consumption and production. The Sustainability Work Group also discusses the main impacts and risks of the business, as well as opportunities for innovation in products, services, processes, as well as management and business models. The Group is also drafting and discussing the TOTVS Sustainability Policy, which will enable the company to formalize, guide and act in this front.



## NATURAL CAPITAL

### SOCIAL AND ENVIRONMENTAL TECHNOLOGIES

As a technology company, TOTVS seeks to add value throughout its chain by developing products and services that translate into sustainable practices in companies in diverse industries and sizes, such as:

/// **Agriculture:** the use of technology such as artificial intelligence, Internet of Things and machine learning has helped to increase productivity in Brazil's agribusiness sector. By installing sensors, devices and software in the field, farmers improve their crop, optimize the use of natural resources and reduce the risks inherent to agribusiness.

/// **Paperless technologies:** besides facilitating access to and increasing the security of information, the use of paperless technologies reduces the environmental impact on processes, especially administrative, financial and customer service processes.

/// **Logistics:** the services offered by TOTVS enable a better logistics strategy, with better transport management and, consequently, lower consumption of natural resources and greenhouse gas emissions.

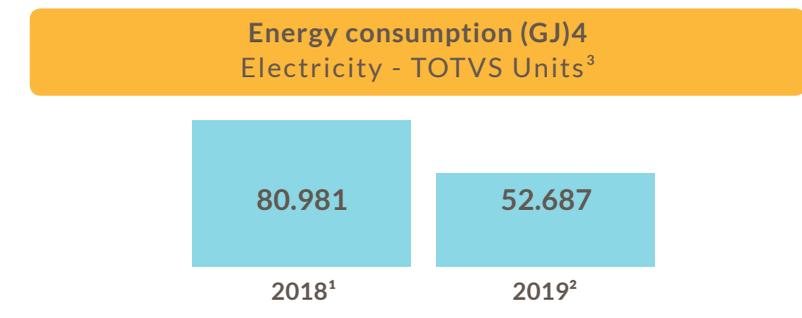
/// **Retail:** solutions ranging from inventory control to the use of artificial intelligence to create customized offerings for consumers, which generate a number of benefits, such as lower costs and food waste.

/// **Manufacturing:** several solutions such as process automation, supply chain synchronization, data capture and analysis, collaboration and information sharing, all of which enable real-time management of industrial operations, thereby increasing energy efficiency, productivity and product quality while reducing wastage in the production process. TOTVS also has an environmental management system that helps companies to periodically evaluate and continuously improve their processes, risks and environmental impacts.

### ENVIRONMENTAL INDICATORS

TOTVS believes that investing in technology and raising awareness are efficient ways to promote responsible consumption of natural resources and reduce the negative impacts on the environment. With regard to energy consumption, the company has implemented actions that enable optimization of resources year after year. One example is that its head office building was designed to save natural resources and measures included the installation of 100% LED lighting and photovoltaic cells on the building façade, all of which complement the energy sources at its facilities. For instance, from 2016 to 2017 the drop in consumption was approximately 42%. In 2019, upholding this commitment, the reduction stood at 35% due to renovations and automation of the energy systems at the Belo Horizonte (Minas Gerais) and Joinville (Santa Catarina) units. In July 2019, the Jundiaí unit in São Paulo was shut down with the sale of Bematech.

#### ENERGY GRI 102-48, 302-1,302-4



<sup>1</sup> All TOTVS units in Brazil were considered (including those acquired with the management of headquarters in 2018): Assis, Belo Horizonte, Brasília, Caxias do Sul, Cianorte, Goiânia (PC Sistemas), Joinville, Jundiaí (Bematech), Porto Alegre, Recife, Rio de Janeiro (TOTVS and CNMET), Salvador, São Paulo (head office in Sêneca, Data Center 1793 unit, Soror Angélica).

<sup>2</sup> All TOTVS units in Brazil were considered (including those acquired with the management of headquarters in 2019): Assis (new head office), Belo Horizonte, Brasília, Caxias do Sul, Cianorte (new head office), Goiânia (PC Sistemas), Joinville, Jundiaí (Bematech), Porto Alegre, Recife, Rio de Janeiro, Salvador, São Paulo (head office in Sêneca and Data Center 1793 unit).

<sup>3</sup> Predominantly renewable source.<sup>4</sup> The methodology for calculating this indicator was reviewed for 2018 and 2019 in order to ensure greater comparability between the data considering the constant acquisitions and sales of units, recurring in TOTVS' operations.



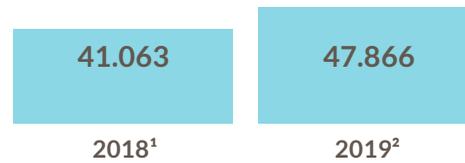
## NATURAL CAPITAL

### WATER

Regarding water consumption, TOTVS started analyzing and monitoring this indicator in all its units. In 2019, the company recorded an increase in water consumption compared to 2018, due to renovations and expansion of the structure at the Assis (SP) and Cianorte (PR) units, which now have new head offices.

GRI 102-48, 303-1.

#### Water consumption (m<sup>3</sup>) - TOTVS units



<sup>1</sup> All TOTVS units in Brazil were considered (including those acquired with the management of headquarters in 2018): Assis, Belo Horizonte, Brasília, Caxias do Sul, Cianorte, Goiânia (PC Sistemas), Joinville, Jundiaí (Bematech), Porto Alegre, Recife, Rio de Janeiro (TOTVS and CNMET), Salvador, São Paulo (head office in Sêneca, Data Center 1793 unit, Soror Angélica).

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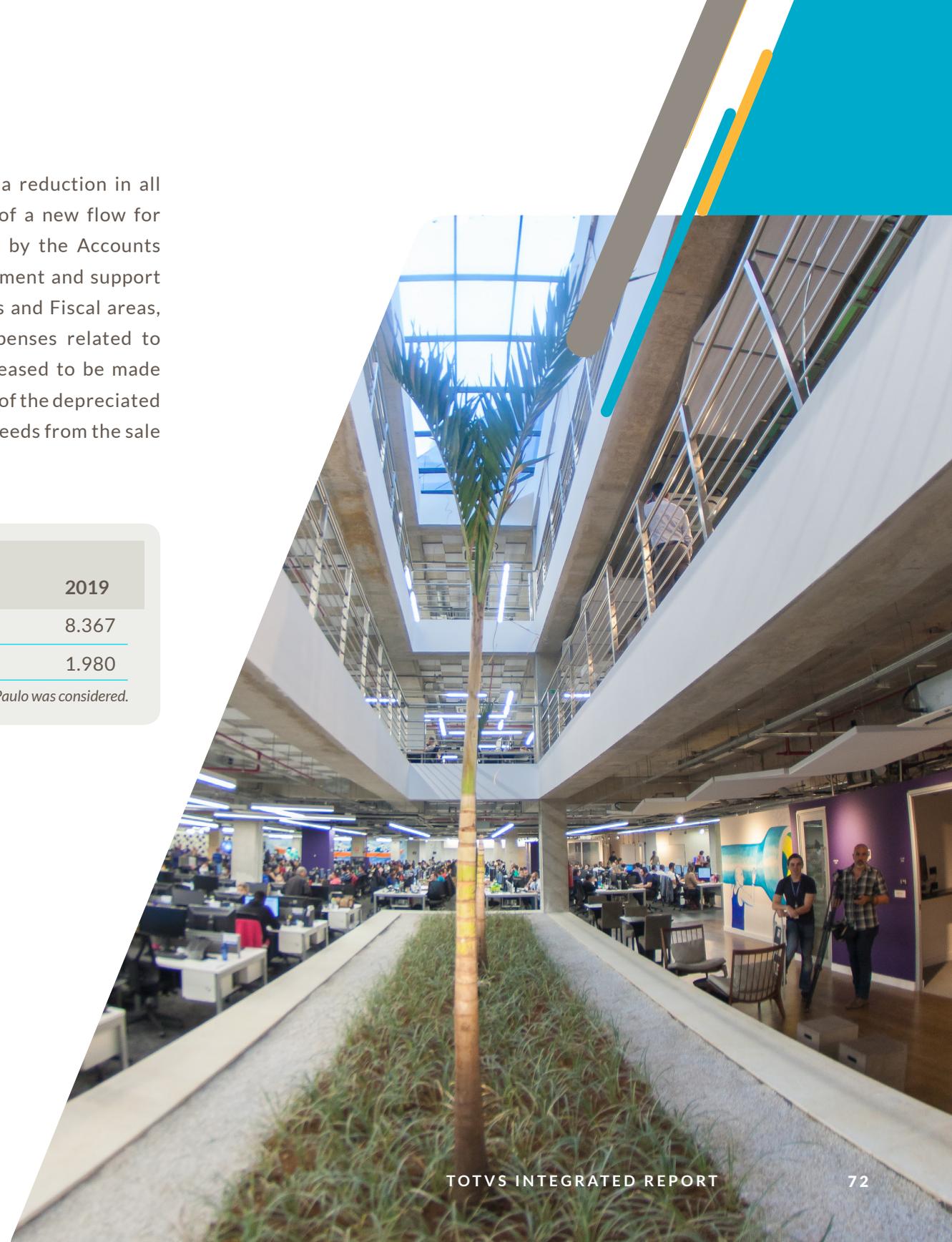
### WASTE

As for **waste management**, there was also a reduction in all indicators. Internally, the implementation of a new flow for invoice receipts in Fluig, a process headed by the Accounts Payable area at TOTVS but with the involvement and support from the Procurement, Supplier Agreements and Fiscal areas, helped reduce consumption and direct expenses related to printed forms. On average, 87,000 prints ceased to be made every year. It should be noted that about 90% of the depreciated furniture is donated to charities and the proceeds from the sale recycled materials are directed to IOS.

GRI 306-2

Total weight of waste, by type and method of disposal (kg) <sup>1</sup>	2018	2019
Recycling	12.818	8.367
Landfill	2.110	1.980

<sup>1</sup> To calculate this indicator, the company's head office in São Paulo was considered.



# REMISSIVE INDEX

GRI 102-55



ASPECT	GRI INDICATOR		PAGE / DIRECT RESPONSE	SDG	COMPACT GLOBAL
Organizational Profile	102-1	Name of the organization.	3, 13		
	102-2	Main brands, products, and services.	13, 16, 17		
	102-3	Location of headquarters.	14		
	102-4	Location of operations.	14		
	102-5	Ownership and legal form.	Corporation.		
	102-6	Markets served.	4, 17		
	102-7	Scale of the organization.	7, 14, 19, 42, 67		
	102-8	Total employees, by type of employment, employment contract and region, broken down by gender.	42	8	6
	102-9	Supply chain.	65		
	102-10	Significant changes to the organization and its supply chain.	8, 14, 21, 36, 56		
	102-11	Precautionary principle or approach.	We have not formally adhered to the Precautionary Principle. However, we updated our Map of Risks in 2019 and reviewed our process for analyzing the key impacts and risks of our operations.		
	102-12	Letters, principles or other initiatives developed externally on economic, environmental and social aspects that the organization subscribes to or endorses.	27		
	102-13	Key memberships of associations.	27, 66		

REMISSIVE INDEX

ASPECT	GRI INDICATOR		PAGE / DIRECT RESPONSE	SDG	COMPACT GLOBAL
Strategy	102-14	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its sustainability strategy.	8, 10		
	102-15	Key impacts, risks, and opportunities.	24		7
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior.	25, 26	16	1,10
	102-17	Mechanisms for advice and concerns about ethics.	25, 26	16	2,10
Governance	102-18	Governance structure of the organization.	20		
	102-22	Composition of the highest governance body and its committees.	21	5,16	
	102-23	Inform whether the chairman of the highest governance body is also an executive officer.	21	16	
	102-25	Processes for the highest governance body to ensure conflicts of interest are avoided and managed.	19	16	
	102-26	Roles played by the highest governance body and by senior executives.	21, 22, 25	16	
	102-29	Highest governance body's role in identifying and managing economic, environmental, and social topics and their impacts, risks, and opportunities.	23, 27	16	
	102-30	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	23		
102-31	Frequency of the highest governance body's review of economic, environmental, and social topics and their impacts, risks, and opportunities.	23			

REMISSIVE INDEX

ASPECT	GRI INDICATOR		PAGE / DIRECT RESPONSE	SDG	COMPACT GLOBAL
Governance	102-32	The highest committee or position that formally reviews and approves the organization's sustainability report.	The report is approved by the Board of Directors.		
	102-33	Process for communicating critical concerns to the highest governance body.	26		
	102-35	Remuneration policies for the highest governance body and senior executives.	22, 46		
	102-36	Process for determining remuneration.	22, 46		6
	102-37	Inform how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	22,46	16	
Stakeholder Engagement	102-40	Provide a list of stakeholder groups engaged by the organization.	3		
	102-41	Inform the percentage of total employees covered by collective bargaining agreements.	Collective bargaining agreements cover 100% of TOTVERS and follow the standards and limits determined by law.	8	3
	102-42	The basis for identifying and selecting stakeholders with whom to engage.	3, 4		
	102-43	Organization's approach to stakeholder engagement.	3, 5, 6, 43, 60, 65, 67, 68		
	102-44	Key topics and concerns that have been raised through stakeholder engagement and measures taken by the organization.	3, 4, 5, 6		
Reporting Practice	102-45	Entities included in the consolidated financial statements.	19		

REMISSIVE INDEX

ASPECT	GRI INDICATOR		PAGE / DIRECT RESPONSE	SDG	COMPACT GLOBAL
Reporting Practice	102-46	Process for defining the report content and the topic boundaries.	3, 4, 5, 6		
	102-47	Material topics identified in the process for defining report content.	5		
	102-48	Effect of any restatements of information given in previous reports, and the reasons for such restatements.	3, 71, 72		
	102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries.	None.		
	102-50	Reporting period..	3		
	102-51	Date of the most recent previous report (if applicable).	The most recent report in the GRI format was published in 2018 (base year 2017). However, in 2019 (base year 2018) we published the UN Global Compact's Communication on Progress (COP) Report.		
	102-52	Reporting cycle.	The cycle of the previous report was biannual, starting from 2020 (base year 2019) the report cycle will be annual once again.		
	102-53	Contact point for questions regarding the report or its contents.	3		
	102-54	Option chosen by the organization according to the options of GRI Standards.	3		
	102-55	Summary of GRI Content for the option chosen.	73 - 80		
	102-56	External assurance.	Not conducted.		
Management Approach	103-1	Reason why the topic is material.	5, 6		
	103-2	For each material topic, inform how the organization manages the material topics.	24, 26, 30, 32, 36, 39, 55, 56, 57, 59, 61, 64, 65	1, 5, 8, 16	
	103-3	How the organization manages the material topic or its impacts and how the management approach is evaluated.	24, 26, 30, 32, 36, 39, 55, 56, 57, 59, 61, 64, 65		

REMISSIVE INDEX

ASPECT	GRI INDICATOR		PAGE / DIRECT RESPONSE	SDG	COMPACT GLOBAL
Economic Performance	201-1	Direct economic value generated and distributed.	33, 39	2, 5, 7, 8, 9	
	201-3	Coverage of the organization's defined benefit plan obligations.	The private pension program offered by TOTVS aims to complement the amount already paid by Social Security. It consists of the monthly contribution from both employees and the company of up to 5% of the compensation in case of executive officers and up to 2% of the compensation for other TOTVERS who also join the program, and in both cases, the company contributes the same percentage.		
	201-4	Material financial assistance received from government.	39		7, 8, 9
Market Presence	202-1	Ratio of salary by gender compared to local minimum wage.	The lowest salary paid by TOTVS is the minimum wage established by law. The minimum wage in Brazil in 2019 was R\$998. A few states where we operate have a regional minimum wage. There is no gender pay gap.		
	202-2	Procedures for local hiring and proportion of senior management hired from the local community at key operating units..	There is no specific procedure for local hiring. However, whenever possible, the company gives preference to hiring employees in local communities.		
Indirect Economic Impacts	203-1	Development and impact of investments in infrastructure and services offered, mainly for public benefits, through commercial engagement, in products or services or pro bono activity.	62	2, 5, 7, 9, 11	1, 7, 8, 9

REMISSIVE INDEX

ASPECT	GRI INDICATOR		PAGE / DIRECT RESPONSE	SDG	COMPACT GLOBAL
Procurement Practices	204-1	Policies, practices and proportion of expenses with local suppliers at important operating units.	There are no formally established policies or practices that give preference to contracting local suppliers. However, especially considering logistics issues, we commonly make purchases and engage local suppliers (those located in the same city as the companies and branches of the company).	12	
Anti-Corruption	205-1	Total number and percentage of operations assessed for risks related to corruption.	25	16	10
	205-2	Communication and training on policies and procedures to combat corruption.	27	16	10
	205-3	Confirmed cases of corruption and measures taken.	There were no confirmed cases of corruption in the company.	16	10
Energy	302-1	Energy consumption within the organization.	71	7,8, 12, 13	7,8,9
	302-4	Reduction in energy consumption.	71	7, 8, 12, 13	7,8,9
Water	303-1	Total water withdrawal by source.	72		7,8,9
Effluents and Waste	306-2	Total weight of waste by type and disposal method.	72	3,6, 12	7,8,9
Employment	401-1	Total number and rates of new employee hires and employee turnover by age group, gender and region	45	5,8	
	401-2	Benefits granted to full-time employees that are not offered to temporary or part-time employees, broken down by important operating units of the organization.	53	8	
	401-3	Rates of return to work and retention after maternity/paternity leave, broken down by gender..	53	5, 8	

REMISSIVE INDEX

ASPECT	GRI INDICATOR		PAGE / DIRECT RESPONSE	SDG	COMPACT GLOBAL
Health and Safety	403-2	Types and rates of injuries, occupational diseases, lost days and absenteeism.	53		
Training and Education	404-1	Average hours of training per employee per year, by gender, broken down by functional category.	48	4, 5, 8	
	404-2	Skills management and continuous learning programs that support the continued employability of employees and to manage the end of their careers.	48	8	
	404-3	Percentage of employees receiving regular performance appraisal and career development, broken down by gender.	44, 45	5, 8	
Diversity and Equal Opportunity	405-1	Composition of groups responsible for corporate governance and breakdown of employees by functional category according to gender, age group and other diversity indicators.	21, 22, 49, 51, 52	5, 8	
Supplier Social Assessment	414-1	Percentage of new suppliers selected based on social criteria.	65		4, 5
Customer Privacy	418-1	Total number of proven complaints regarding breach of privacy and loss of customer data.	In 2019, there were no records of any investigation solely involving the violation of privacy. Learn more about our initiatives on page 24 and <a href="#">click here</a> to access our Information Security Policy.	9, 12, 16	

## GLOSSARY

ACRONYMS AND TERMS	MEANING	DESCRIPTION AND DEFINITION
COP	Communication on Progress	Annual report on advances in the principles of the United Nations Global Compact.
IBGC	Instituto Brasileiro de Governança Corporativa	Non-profit organization, a national and international reference that aims to promote corporate governance.
Ibovespa	Ibovespa Index	It is the most important indicator of the average performance of the prices of shares traded on the B3 stock exchange - Brazil, Bolsa, Balcão. It is formed by the shares with the highest volume traded in recent months.
IGPM	Acronym for General Market Price Index	Is an economic price indicator earned monthly used to measure inflation, calculated every month by Fundação Getúlio Vargas (FGV).
IPCA	Acronym for Broad National Consumer Price Index	Index released monthly by the Brazilian Institute of Geography and Statistics, aims to measure inflation.
IOS	Institute of Social Opportunity	Non-profit institution.

# 2019

## INTEGRATED REPORT

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