

TOTVS S.A.  
Publicly-Held Company  
Corporate Taxpayer's ID (CNPJ/MF): 53.113.791/0001-22  
Company Registry (NIRE): 35.300.153.171

# REFERENCE FORM 2021

(CVM Instruction No. 480,  
of December 7<sup>th</sup>, 2009)



August 2, 2021



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## 1.0. Identification of the individuals responsible

**Name of the individual responsible for the form contents**  
**Position**

Gilsomar Maia Sebastião  
Investor Relations Officer

**Name of the individual responsible for the form contents**  
**Position**

Dennis Herszkowicz  
CEO



**TOTVS S.A.**

Publicly-held Company

CNPJ/ MF no. 53.113.791/0001-22

NIRE 35.300.153.171

I, **Gilsomar Maia Sebastiao**, Brazilian citizen, married, accountant, holder of Identity Card 24.733.092, and CPF tax registration No. 174.189.288-07, in my position as Chief Financial and Investor Relations Officer of TOTVS S.A, declare that:

- a. I have reviewed this Reference Form;
- b. all the information contained in this Reference Form meets the provisions of CVM Instruction No. 480, especially articles 14 to 19;
- c. the information contained herein gives a true, accurate and complete picture of the Company's economic and financial situation, of the risks inherent in its activities and of the securities issued by it.

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**GILSOMAR MAIA SEBASTIÃO**

Chief Financial and Investor Relations Officer



**TOTVS S.A.**

Publicly-held Company

CNPJ/ MF no. 53.113.791/0001-22

NIRE 35.300.153.171

I, **Dennis Herszkowicz**, Brazilian citizen, married, graduate in advertising and marketing, holder of identity card 20.310.061 - SSP/SP, and CPF tax registration No. 165.783.068-38, in my position as Chief Executive Officer of TOTVS S.A., declare that:

- a. I have reviewed this Reference Form;
- b. all the information contained in this Reference Form meets the provisions of CVM Instruction No. 480, especially articles 14 to 19;
- c. the information contained herein gives a true, accurate and complete picture of the Company's economic and financial situation, of the risks inherent in its activities and of the securities issued by it.

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**DENNIS HERSZKOWICZ**  
CEO



## 2.1/2.2 - Auditors' identification and compensation

<b>Does the issuer have an auditor?</b>	YES		
<b>CVM Code</b>	471-5		
<b>Type of auditor</b>	National		
<b>Corporate name</b>	Ernst & Young Auditores Independentes S.S.		
<b>National Corporate Taxpayers' Register (CNPJ)</b>	61.366.936/0001-25		
<b>Period of service provision</b>	12/7/2016		
<b>Description of the services contracted</b>	The independent auditors provided the following services: (i) audit and issue of a report on the Company's individual and consolidated financial statements for the years ended December 31, 2019; (ii) review and issue of a report on the Company's individual and consolidated Quarterly Information (ITRs) for the periods ended March 31, June 30 and September 30, 2019; (iii) ISAE - Review of the software development control environment; (iv) Due Diligence in an acquisition process of a company and (v) Issuance of a comfort letter connected to the Follow-on carried out in May 2019.		
<b>Total compensation paid to the independent auditors segregated by service</b>	2019: The services for the period are divided between: (a) Audit Services and additional expenses connected to the financial audit items of (i) financial statements and (ii) Quarterly Financial Statements (ITRs), which amount to R\$ 1,533,898 and are equal to 48% of the total resources committed by the Company; and (b) Services that are Additional to the Financial Audit, which include services other than those connected to the financial statements audit, such as (iii) ISAE (R\$ 231,011), (iv) <i>Due Diligence</i> (R\$ 429,908) and, especially, those bound to the (v) subsequent issue of shares ( <i>Follow-on</i> ) in May 2019, which amount to R\$ 1,000,000 and account for 52% of the total invested funds. Individually, the <i>Follow-on</i> , which is an extraordinary event in the period, represented 31% of the resources allocated to audit services.		
<b>Justification for the replacement</b>	Not applicable		
<b>Reason presented by the auditor in the event of disagreement with the issuer's justification</b>	Not applicable		

Name of the person in charge	Period of service provision	Individual Taxpayers' Register (CPF)	Address
Luiz Carlos Marques	1/1/2017	043.982.278-57	Avenida Presidente Juscelino Kubitschek, 1909, 7º andar, Vila Nova Conceição, São Paulo, SP, Brazil, CEP 04543-011, Phone number (11) 25733473, Fax number (11) 25735880, email address: luizcarlos.marques@br.ey.com



<b>Does the issuer have an auditor?</b>	YES
<b>CVM Code</b>	471-5
<b>Type of auditor</b>	National
<b>Corporate name</b>	Ernst & Young Auditores Independentes S.S.
<b>National Corporate Taxpayers' Register (CNPJ)</b>	61.366.936/0001-25
<b>Period of service provision</b>	12/7/2016
<b>Description of the services contracted</b>	The independent auditors provided the following services: (i) audit and issue of a report on the Company's individual and consolidated financial statements for the years ended December 31, 2020; (ii) review and issue of a report on the Company's individual and consolidated Quarterly Information (ITRs) for the periods ended March 31, June 30, September 30 and December 31, 2020; (iii) ISAE - Review of the software development control environment; (iv) Due Diligence in an acquisition process of a company.
<b>Total compensation paid to the independent auditors segregated by service</b>	2020: The services for the period are divided between: (a) Audit Services and additional expenses connected to the financial audit items of (i) financial statements and (ii) Quarterly Financial Statements (ITRs), which amount to R\$ 2,884,448 and are equal to 60% of the total resources committed by the Company; and (b) Services that are Additional to the Financial Audit, which include services other than those connected to the financial statements audit, such as (iii) ISAE (R\$ 1,686,766), (iv) <i>Due Diligence</i> (R\$ 250,728) and account for 40% of the total invested funds. Individually, expenditures on ISAE, an extraordinary event in the period, represented 35% of the resources earmarked for audit services.
<b>Justification for the replacement</b>	<p>On March 19, 2021 the Company's Board of Directors unanimously approved the hiring of KPMG Auditores Independentes (KPMG), which will replace the former independent auditors Ernst Young Auditores Independentes (EY), for the provision of auditing services for the financial statements as from the year 2021.</p> <p>Said new auditing firm will start providing services from the review of the quarterly financial statements (ITRs) for the period ending on March 31, 2021. The termination of the contractual relationship with EY, as well as its replacement by KPMG, was necessary for business reasons and was supported by the replaced auditors.</p>
<b>Reason presented by the auditor in the event of disagreement with the issuer's justification</b>	Not applicable

Name of the person in charge	Period of service provision	Individual Taxpayers' Register (CPF)	Address
Luiz Carlos Marques	1/1/2017	043.982.278-57	Avenida Presidente Juscelino Kubitschek, 1909, 7º andar, Vila Nova Conceição, São Paulo, SP, Brazil, CEP 04543-011, Phone/Fax number (11) 25733473; email address: luizcarlos.marques@br.ey.com



## **2.3 – Other material information**

The Company maintains a policy to support the engagement of independent audit services and occasional non-audit services provided by an Independent Auditor or a Party Related to the Independent Auditor.

The engagement of independent auditors to provide non-audit services is supported by principles that preserve their independence. These principles consist of the following conditions: (i) the services do not impact their independence; (ii) the services are previously assessed and recommended by the Audit Committee and approved by the Board of Directors; and (iii) the services are within their professional expertise.

Procedures adopted by the Company pursuant to item III, Article 2, of CVM Instruction No. 381/03: Before contracting other professional services not related to the independent accounting audit, the Company and its subsidiaries adopt as a formal procedure consulting with the independent auditors to ensure that the rendering of these other services will not affect the independence and objectivity required for the performance of independent audit services.

The Policy on Engagement of Independent Auditors was approved by the Board of Directors on November 9, 2020 and is available for consultation on the Company's Investor Relations website, at <https://ri.totvs.com/ptb/estatutos-politicas-e-regimentos>.

It is worth highlighting the annual assessment of the independent auditors carried out by the Audit Committee that has as purpose to continuously improve and evolve their procedures. During the effective term of the contract, the Audit Committee holds periodic meetings with the Independent Auditors aiming at determining the work plan and monitoring its development throughout the year, according to the annual meeting schedule established according to the Charters/ Internal Regulations of the Board of Directors and Advisory Committees. Every year the Company's Audit and Management Committee carries out a formal assessment of the work performed by the independent auditors. The result of such assessment will determine the need to carry out a new selection process with other audit firms (in case of audit companies) or Individual Auditors, or just to check all procedures to renew the contract for the next fiscal year, respecting the maximum limit of 5 fiscal years audited by the same auditing company or individual. The Audit Committee should receive, every year, from the Independent Auditors a formal statement confirming their independent status during the entire performance of the audit. Nevertheless, the monitoring of all aspects of their independence must be permanent, as well as monitoring of their structure and governance, suitability of internal quality control processes, training and dedication of the team assigned to perform the jobs, and fees compatible with the size and complexity of TOTVS.

On April 2020 the Audit Committee submitted its assessment on the independent auditors' performance to the Board of Directors, recommending to the Board that the same auditors should continue providing services in fiscal year 2020 - which was confirmed by the Board.

On March 19, 2021 the Company's Board of Directors unanimously approved the hiring of KPMG Auditores Independentes (KPMG), which will replace the former independent auditors Ernst Young Auditores Independentes (EY), for the provision of auditing services for the financial statements as from the year 2021. Said new auditing firm will start providing services from the review of the quarterly financial statements (ITRs) for the period ending on March 31, 2021.

The termination of the contractual relationship with EY, as well as its replacement by KPMG, was necessary for business reasons and was supported by the replaced auditors.





### 3.1 - Financial Information - Consolidated

<b>(In Reais)</b>	<b>Year ended 12/31/2020</b>	<b>Year ended 12/31/2019</b>	<b>Year ended 12/31/2018</b>
Shareholders' equity	2,604,166,033.50	2,478,408,276.83	1,288,220,000.00
Total assets	5,146,406,268.33	3,535,927,332.47	2,391,277,000.00
Net Revenue/Financial Intermediation Revenue/Insurance Premiums Earned	2,596,076,875.73	2,282,124,821.41	2,320,269,000.00
Gross profit	1,819,372,427.13	1,538,269,205.88	1,435,700,000.00
Net income	294,957,888.65	209,796,262.05	60,643,000.00
Number of shares, ex-treasury (Units) (i)	567,759.595	572,056.824	490,354,908.00
Equity value per share (in R\$ per unit)	4.58674068	4.33245121	2.62711817
Basic earnings per share	0.51915	0.38682	0.12147
Diluted earnings per share	0.51304	0.38345	0.12147

(i) On April 27, 2020, the Extraordinary General Meeting approved the split of all shares issued by the Company, pro rata of one common share to three shares of the same type, with no change in the capital stock. For comparison purposes, the number of shares on the base dates of December 31, 2019 and 2018 is stated considering the effect of the stock split.



## 3.2 – Non-accounting measures

### (a) value of non-accounting measures

#### Cash Profit, EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin

Cash Profit is a non-accounting metrics that represents Net Profit without the effects of amortization expenses of intangible assets arising from company acquisitions and the corresponding impacts of income tax and social contribution on such amortization. This measurement is important to monitor the progress of net income without the effects of acquisitions, considering the relevance of the Company's acquisition strategy.

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) is a non-accounting measure prepared by the Company in compliance with CVM Instruction No. 527, of October 4, 2012 ("CVM Instruction 527"), which is reconciled to its financial statements and consists of net income for the year or period, plus financial income and expenses, income tax and social contribution, and depreciation and amortization costs and expenses.

The EBITDA Margin is calculated as EBITDA divided by net revenue from services and sales.

Adjusted EBITDA is a non-accounting measure prepared by us which corresponds to EBITDA adjusted by equity pick-up, the provision for impairment of assets, additional provisions for contingencies, loss (gain) on disposal of permanent assets, additional provisions for doubtful debts, gains on sales of subsidiaries, and net losses on discontinued operations, which, in our view, are no part of our regular business operations and/or distort the analysis of our performance. The adjustments to our operations are classified as follows:

- i. **Equity Method Result:** the equity method contained in the Company's consolidated result reflects the result earned by the affiliated company, calculated according to its percentage share in the investment;
- ii. **Net Profit (Loss) from Discontinued Operations:** The Company's strategic focus on software as a result of having sold its hardware operations.
- iii. **Non-cash Allowances:**
  - a. In 2006, Bematech filed for an injunction against the Federal Revenue Regional Office in Curitiba to obtain the recognition of the illegality/unconstitutionality of the inclusion of ICMS amounts in the PIS and COFINS tax base. In 2017, this case was judged by the Federal Supreme Court (STF), under the general repercussion regime, which decided to exclude ICMS from the PIS and COFINS tax base. Accordingly, Bematech, supported by the opinion of its legal counsel, reversed the provision at December 31, 2017, totaling R\$8,454 thousand (R\$8,203 thousand at December 31, 2016), R\$4,288 thousand of which referred to the principal amount of this contingency, recognized under "General and Administrative Expenses", and R\$4,166 thousand to monetary variation losses, recognized under "Financial Expenses".
  - b. Adjustment in the allowance for investment acquisition obligations in the amount of R\$9,193 thousand occurred in the fiscal year ended December 31, 2018.
  - c. Allowance for actuarial liabilities arising from post-employment benefits in the amount of R\$1,287 thousand occurred in the fiscal year ended December 31, 2018.
  - d. Extraordinary allowance for attorney's fees in case of success, in the amount of R\$1,900 thousand, occurred in the fiscal year ended on December 31, 2018.



- e. Adjustment in the allowance for investment acquisition obligations in the amount of R\$3,732 thousand occurred in the fiscal year ended on December 31, 2019.
- iv. **Loss (gain) on permanent assets write-off:** it does not make part of the Company's operating expenses.
- v. **Partner's Software:** compensation of R\$ 4,250 for contract termination as of December 31, 2018.
- vi. **M&A expenses:** fees resulting from the acquisition process of a company.
- vii. **Extraordinary costs with personnel dismissal;**
- viii. **Earn-out adjustment at fair value:** it refers to the update at a fair value of contingent payments due to shareholders of acquired companies. On December 31, 2020, it decreased R\$25,526, mainly affected by the extension of the Covid-19 pandemic period compared with the business plan that had been originally prepared, which was also affected by the variation of the macroeconomic indicators.

The "Adjusted EBITDA Margin" corresponds to Adjusted EBITDA divided by net revenue from services and sales.

EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin are not measures of financial performance in accordance with the Accounting Practices Adopted in Brazil or the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), do not represent the cash flow for the reported periods, should not be considered as a replacement for net income, indicators of operating performance, or as an alternative to cash flow as an indicator of the Company's liquidity, nor as the base for dividend payouts. These measures do not have a standardized meaning and may not be comparable to similarly titled measures reported by other companies.

EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin are financial indicators used to evaluate the result of companies without the influence of their capital structure, tax effects, other accounting impacts, without a direct effect on the Company's cash flow and other items considered as non-recurring by the Company or which do not arise from its main operations. EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin are additional information to the Company's financial statements and should not be used as an alternative to the audited financial statements.

The Company uses and discloses as non-accounting measures Cash Profit, EBITDA, EBITDA Margin, Adjusted EBITDA, and Adjusted EBITDA Margin, as shown in the table below:

In thousands of <i>Reais</i>	Year ended December 31,		
	2020	2019	2018
<b>EBITDA</b>	598,419	429,217	270,853
<b>EBITDA Margin%</b>	23.1%	18.8%	12.8%
<b>Adjusted EBITDA (i)</b>	590,011	469,742	347,013
<b>Adjusted EBITDA Margin % (ii)</b>	22.7%	20.6%	16.4%
<b>Cash Profit (iii)</b>	337,548	268,484	-

(i) On January 1st, 2019, the new standard that governs the accounting treatment of Leasing Operations [IFRS 16/CPC 06 (R2)] issued by IASB and CPC [Brazilian Committee of Accounting Standards], respectively, became effective. To implement such standard, the Company



adopted the modified retrospective approach. As a result, the financial information as of December 31, 2018 and 2017 were not adjusted to reflect the adoption of IFRS 16/CPC 06 (R2) and, therefore, cannot be compared with the financial information as of December 31, 2019, which reflect the effects of adopting such newer standard. The adjusted EBITDA on the financial statements as of December 31, 2019 includes the impact of applying IFRS 16/ CPC 06 (R2) standard in the amount of R\$ 44.0 million, which corresponds to lease payments for the same period and that comprise part of the amortization of assets in use, as well as interests on updating the financial lease liability.

- (ii) In 2019, disregarding the effect of IFRS16, the adjusted EBITDA margin is 18.7%. For the fiscal years 2018 and 2017, the figures shown above have no IFRS effect.
- (iii) As of the 2nd quarter of 2020, the Company began to disclose also the "Cash Profit" metric, which represents Net Profit without the effects of expenses with amortization of intangibles arising from acquisitions.

## Gross and Net Debt

Our Gross Debt consists of the sum of the balances of loans and financing, leases, debentures, and obligations for acquisition of investments, both current and non-current. Our Net Debt is calculated as Gross Debt minus the balances of cash and cash equivalents, and collateral for investments made, both current and non-current.

Gross Debt and Net Debt are not measures of financial performance, liquidity or indebtedness recognized by the Accounting Practices Adopted in Brazil or the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), do not present indebtedness as of the reported dates, and are not indicators of our financial condition, liquidity or ability to settle our debt. Also, they are not calculated using a standardized methodology and may not be comparable to the definitions of gross and net debt or similarly titled measures used by other companies.

Below are the amounts of Gross Debt and Net Debt for the reported dates:

In thousands of <i>Reais</i>	Fiscal year ended December 31,		
	2020	2019	2018
<b>Gross Debt</b>	1,544,337	493,988	553,720
<b>Net (Cash) Debt</b>	326,168	(1,071,433)	50,678

## Recurring and non-recurring revenues

**Recurring software revenues:** these refer to revenues from agreements with customers with ongoing service provision (12-month contracts renewable on an automatic basis), consisting of revenues from Maintenance (technological evolution and service), Subscription (software as a service), and services, including cloud computing and customer service. All these services are sold separately and have the common feature of recurring payments being set forth in agreement, usually on a monthly basis.

**Non-recurring software revenues:** these refer to sales of software licenses of the traditional type, whereby the customer is entitled to use the software for an indefinite period, and software implementation and customization services. This is operating revenue that is not provided for in agreement to take place on a recurring basis.

Recurring and non-recurring software revenues for the reported dates are presented below:



In thousands of <i>Reais</i>	Fiscal year ended December 31,		
	2020	2019	2018
<b>Software Revenues</b>			
Recurring	1,954,093	1,729,218	1,547,192
Non-Recurring	513,866	552,906	563,989

### Revenue from Credit Products

Revenue from credit products is composed of: (i) factoring of receivables, and (ii) administration fee. Please see below are the amounts of revenue from credit products for the corresponding dates shown:

In thousands of <i>Reais</i>	Fiscal year ended December 31,		
	2020	2019	2018
<b>Credit Products Revenue</b>			
	128,118	-	-

### (b) Reconciliation between the amounts reported and the amounts presented in the audited financial statements

The reconciliation between these non-accounting measures and the financial statements is presented below:

#### EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin

In thousands of <i>Reais</i>	2020	2019	2018
<b>Net income</b>	<b>294,959</b>	<b>210,648</b>	<b>60,643</b>
Equity Method Result	294	248	517
Income tax and social contribution	86,068	70,111	46,940
Financial income and expenses	11,434	1,177	40,462
Depreciation and amortization	204,587	147,033	122,291
<b>EBITDA</b>	<b>598,419</b>	<b>429,217</b>	<b>270,853</b>
Net revenue from services and sales	2,596,077	2,282,124	2,111,160
<b>EBITDA Margin%</b>	<b>23.1%</b>	<b>18.8%</b>	<b>12.8%</b>
Net profit (loss) from Discontinued Operation	1,077	43,268	77,092
Allowances - Non-cash	-	(3,732)	(6,006)
Loss (gain) on disposal of permanent assets	-	(11,759)	824
Partner's Software	-	-	4,250
Extraordinary Costs with Personnel Dismissal	1,779	10,547	-
M&A expenses	15,338	2,201	-
<b>Adjuted EBITDA (i)</b>	<b>590,011</b>	<b>469,742</b>	<b>347,013</b>
<b>Adjuted EBITDA Margin (ii)</b>	<b>22.7%</b>	<b>20.6%</b>	<b>16.4%</b>

- (i) On January 1st, 2019, the new standard that governs the accounting treatment of Leasing Operations [IFRS 16/CPC 06 (R2)] issued by IASB and CPC [Brazilian Committee of Accounting Standards], respectively, became effective. To implement such standard, the Company adopted the modified retrospective approach. As a result, the financial information as of December 31, 2018 and 2017 were not adjusted



to reflect the adoption of IFRS 16/CPC 06 (R2) and, therefore, cannot be compared with the financial information as of December 31, 2019, which reflect the effects of adopting such newer standard. The adjusted EBITDA on the financial statements as of December 31, 2019 includes the impact of applying IFRS 16/ CPC 06 (R2) standard in the amount of R\$44.0 million, which corresponds to lease payments for the same period and that comprise part of the amortization of assets in use, as well as interests on updating the financial lease liability.

- (ii) In 2019, disregarding the effect of IFRS16, the adjusted EBITDA margin is 18.7%. For the fiscal years 2018 and 2017, the figures shown above have no IFRS effect.

## Gross and Net Debt

In thousands of <i>Reais</i>	Fiscal year ended December 31,		
	2020	2019	2018
Loans and financing (current and non-current) <sup>(1)</sup>	325,050	247,703	201,471
Debentures (current and non-current)	-	202,973	277,188
Obligations for acquisition of investments (current and non-current)	208,200	43,312	75,061
<b>Gross Debt</b>	<b>1,544,337</b>	<b>493,988</b>	<b>553,720</b>
(-) Cash and cash equivalents	(1,027,733)	(1,538,156)	(452,799)
(-) Guarantees for investments (current and non-current)	(11,128)	(27,265)	(50,243)
<b>Net (Cash) Debt</b>	<b>(326,168)</b>	<b>(1,071,433)</b>	<b>50,678</b>

In thousands of <i>Reais</i>	Fiscal year ended on December 31,		
	2020	2019	2018
<b>Recurring</b>	1.954.093	1,729,218	1,547,192
<b>Non-Recurring</b>	513.866	552,906	563,968
Licenses	222.033	213,915	177,723
Services	291.833	338,991	386,245
<b>Software Revenues</b>	<b>2.467.959</b>	<b>2,282,124</b>	<b>2,111,160</b>
Recurring (1)	1.954.093	1,729,218	1,547,192
Non-Recurring (2)	513.866	552,906	563,968
<b>Software Revenues</b>	<b>2,467,959</b>	<b>2,282,124</b>	<b>2,111,160</b>
<b>Credit Products Revenues</b>	<b>128,118</b>	-	-
	<b>2,596,077</b>	<b>2,282,124</b>	<b>2,111,160</b>

(1) Recurring software revenues: these refer to revenues from agreements with customers with ongoing service provision (12-month contracts renewable on an automatic basis), consisting of revenues from Maintenance (technological evolution and service), Subscription (software as a service), and monthly services.

(2) Non-recurring software revenues: these refer to sales of software licenses of the traditional type, whereby the customer is entitled to use the software for an indefinite period, as well as to software implementation and customization services.



**(c) explain why this measure is more appropriate for a proper understanding of your financial condition and the results of your operations**

**EBITDA, EBITDA Margin, Adjusted EBITDA and Adjusted EBITDA Margin**

The Company understands that Cash Profit, EBITDA and EBITDA Margin are the measures that best reflect the cash generation arising from the Company's operating results. Accordingly, they enable the Company's comparability with other companies from the same field of operation in Brazil and abroad, since the Company's peers may have different capital structures, and levels of amortization expenses, especially in relation to intangible assets arising from acquisitions.

In general, the Company's investments in research and development are not capitalized and are fully recognized under "Research and Development" in the statement of income, thus fully impacting the Company's EBITDA and EBITDA Margin.

The Company understands that Adjusted EBITDA and Adjusted EBITDA Margin are the performance measures most appropriate for a proper understanding of its financial condition and results of operations, and that they enable a comparison with other companies from the same segment, even though other companies may calculate them differently. In turn, Cash Profit is important to monitor the progress of net income without the effects of acquisitions, considering the relevance of the Company's acquisition strategy.

The Company believes that the Adjusted EBITDA reflects its performance without the influence of factors connected to: (i) the equity method result; (ii) net loss from discontinued operations; (iii) non-cash allowances: additional allowances for contingencies, actuarial provision, and obligations for acquisition of investments; (iv) loss (gain) on permanent assets write-off; (v) gain from the sale of subsidiaries; (vi) extraordinary personnel termination costs; (vii) partners' software, and (viii) M&A expenses. Such characteristics, in the Company's opinion, make Adjusted EBITDA a more practical and more appropriate measure of its performance.

**Gross and Net Debt**

The Company understands that Net Debt and Gross Net are useful to evaluate its level of indebtedness in relation to its cash position. On the base date of December 31, 2020 the Company has financial lease agreements bound to the purchase of equipment and leases of the Company's units and borrowing for working capital; please see section 10.1(f) of this Reference Form for more information.

**Recurring and non-recurring revenues**

The Company understands that recurring revenue is useful to measure the performance of agreements with customers whose services are provided on an ongoing basis, as well as to monitor indicators such as customer renewal and churn rates. In addition, considering the predictability of recurring revenues, the Company is able to equally predict investments in innovation and new technologies, expanding the solutions portfolio to meet customer needs.

Non-recurring revenues, on the other hand, are one-off revenues arising from direct sales of licenses (traditional software sales model) and the provision of customization and implementation services with a defined development deadline.





### 3.3 - Events subsequent to the latest financial statements

On March 9, 2021 the Company announced the execution of a sale and purchase agreement for the acquisition of shares representing 92% of the capital stock of RD Gestão e Sistemas S.A. ("RD Station") for the amount of R\$1,861 million, subject to adjustments, to be paid at the closing of such transaction. On May 31, 2021, such transaction was completed after the fulfillment of all the conditions precedent set forth in the Agreement for the Sale and Purchase of Shares and Other Covenants executed by and between the parties, including, but not limited to the approval of the Brazilian Antitrust Agency (CADE), which issued its favorable opinion for such transaction to be completed, concluding that it does not harm competition in the markets where the parties operate in Brazil.

On March 19, 2021 the Company's Board of Directors unanimously approved the hiring of KPMG Auditores Independentes (KPMG), which will replace the former independent auditors Ernst Young Auditores Independentes (EY), for the provision of auditing services for the financial statements as from the year 2021. Said new auditing firm will start providing services from the review of the quarterly financial statements (ITRs) for the period ending on March 31, 2021. The termination of the contractual relationship with EY, as well as its replacement by KPMG, was necessary for business reasons and was supported by the replaced auditors.

On May 21, 2021, the Company issued 1,500,000 simple debentures, not convertible into shares, in a single series, under a firm underwriting commitment, with a face value per unit of R\$ 1,000, in the total amount of R\$1,500 billion, and final maturity on May 21, 2024. As of the Date of Issue, the Debentures will be entitled to a remuneration equivalent to 100% of the CDI rate, plus a spread equal to 1.90% (one integer and ninety hundredths percent). For more information on the issue of debentures, please see section 18.5 of this Reference Form.





### 3.4 - Income allocation policy

<i>Amounts in Reais</i>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>a. rules on earnings retention</b>	The Company does not have a policy establishing retention rules in addition to those provided for in the law. Pursuant to Law 6.404/76, the Company may allocate at least five percent (5%) to the legal reserve, up to a limit of twenty percent (20%) of its capital stock. In a year when the balance of the legal reserve plus the amounts of the capital reserves exceed thirty percent (30%) of capital stock, the allocation of a portion of net income for the year to the legal reserve ceases to be mandatory. Also pursuant to Law 6.404/76, the Company may retain the amount related to the capital budget, submitted by management bodies with a justification for the earnings retention, including the sources of the funds and capital investments, whether fixed or current, for up to five (5) consecutive years, except in case a large project is carried out over a longer period. The budget may be approved by the General Shareholders' Meeting that approves the balance sheet for the year, and reviewed annually, when it has a duration of more than one fiscal year.		
<b>a.i. amounts of earnings retentions</b>	Legal reserve R\$10,489 thousand and Revenue retention reserve R\$98,671 thousand	Legal reserve R\$10,489 thousand and Revenue retention reserve R\$98,671 thousand	Legal reserve R\$2,977 thousand and Revenue retention reserve R\$2,840 thousand
<b>a.ii percentages in relation to the total earnings declared</b>	45.00%	47.03%	4.77%
<b>b. rules on dividend distributions</b>	A portion corresponding to twenty-five percent (25%) of adjusted annual net income, as provided for in Article 202 of the Brazilian Corporation Law and Article 37 of the Company's bylaws, shall be allocated to the payment of the minimum mandatory dividend.		
<b>c. frequency of dividend distributions</b>	At the end of each fiscal year. The Company's bylaws (Article 39) provide for the possibility of paying dividends more frequently.		
<b>d. any restrictions on the distribution of dividends imposed by law or special regulations applicable to the Issuer, as well as agreements or court, administrative or arbitration decisions</b>			
<b>e. whether the issuer has a formally approved income allocation policy, stating the body responsible for approval and the date of approval; and, if the issuer discloses the policy, the websites where this document is available for consultation</b>	Currently, there are no restrictions on the payment of dividends imposed by law or special regulations applicable to the Company.		



### 3.5 - Distribution of dividends and retention of net income

(In Reais)	Year ended 12/31/2020	Year ended 12/31/2019	Year ended 12/31/2018
Adjusted net income	280,209,994.25	199,306,200.00	56,571,000.00
Dividend distributed in relation to adjusted net income	52.631578	52.631645	80.894805
(%)	11.326385	4.234520	4.707503
Rate of return in relation to the issuer's shareholders' equity	147,478,944.34	104,898,131.03	45,763,000.00
(%)	132,731,049.91	94,408,068.98	14,880,000.00
Total dividend payout	4/20/2020	4/27/2020	4/18/2019

Retained net income	Amount	Dividend payout	Amount	Dividend payout	Amount	Dividend payout
<b>Mandatory Dividend</b>						
Common shares	50,960,366.03	5/20/2021	24,816,612.56	5/20/2020	17,977,520.00	3/10/2018
<b>Interest on shareholders' equity</b>						
Common shares	39,742,843.21	10/22/2020	36,223,951.44	10/10/2019	14,708,880.00	3/10/2018
Common shares	56,775,735.10	5/20/2021	43,857,567.02	5/20/2020	13,076,130.88	5/9/2019



### **3.6 - Declaration of dividends out of the retained earnings account or reserves**

No dividends were declared out of the retained earnings account or reserves for the years ended December 31, 2020, 2019 and 2018.



### 3.7 – Indebtedness Level

Fiscal Year	Sum of current and non-current	Type of ratio	Indebtedness level	Description and reason for using another ratio
12/31/2020	2,542,240.00	Indebtedness Level	0.97622041	Not applicable



### 3.8 – Obligations

Fiscal year (12/31/2020)							
Type of obligation	Type of guarantee	Other guarantees or privileges	Less than one year	From one to three years	From three to five years	Over five years	Total
Financing	Collateral		45,281,457.82	79,651,946.25	94,030,651.40	4,561,137.53	223,525,193.00
Debt securities	Floating guarantee		0,00	0,00	0,00	0,00	0,00
Financing	Unsecured		101,524,602.14	0,00	0,00	0,00	101,524,602.14
Financing	Other guarantees or privileges	See note below	0,00	0,00	0,00	0,00	0,00
Total			146,806,059.96	79,651,946.25	94,030,651.40	4,561,137.53	325,049,795.14

#### Note

Criteria used: (i) finance leases were classified as collateral; (ii) working capital was classified as unsecured. The information provided in this section refers to the consolidated financial statements as of December 31, 2020. The amounts related to Obligations for acquisition of investments (current and non-current) in the amount of R\$208.2 million on December 31, 2020 were not included in this table.



### 3.9 – Other material information

The Company's debt agreements contain cross default clauses that are standard conditions of financing agreements in general. Non-compliance with these clauses by the debtor may lead to accelerated maturity of the outstanding balance of the debt, which, in turn, may constitute an accelerated maturity event for other debts. For further information, see item 10.1 (f) in this Reference Form.



#### 4.1 – Description of risk factors

An investment in securities issued by the Company involves exposure to certain risks. Before making any decision to invest in any security issued by the Company, potential investors should carefully review all information contained in the Reference Form, the risks set forth below and the Company's financial statements and accompanying notes. The Company's business, financial condition, results of operations, cash flow, liquidity and/or future business may be adversely affected by any of the risk factors set out below. The market price of the securities issued by the Company may decrease due to any of these and/or other risk factors, in which case potential investors may lose all or substantially all of their investment in securities issued by the Company. The risks set out below are those which the Company knows and believes, as of the date of this Reference Form, may adversely affect the Company and its subsidiaries. Furthermore, additional risks either unknown or deemed insignificant by the Company as of the date of this Reference Form may also adversely affect the Company.

For the purposes of this section "4. Risk Factors," except as otherwise expressly provided for herein or required by the context, any reference to the fact that a risk, uncertainty or problem may or will cause or have an "adverse effect" or "negative effect" on the Company or similar expressions means that such risk, uncertainty or problem may or could have a material adverse effect on the Company's or its subsidiaries' market share, reputation, business, financial condition, results of operations, cash flow, liquidity and/or future business, as well as on the price of securities issued by the Company. Any similar expressions included in this section "4. Risk Factors" should be understood in this context.

Notwithstanding the subdivisions of this section "4. Risk Factors," certain risk factors set forth in one item may also apply to other items.

##### **a. Risks related to the Company**

**The Company's success depends on its ability to develop new products and services, integrate acquired products and services and improve its existing products and services.**

The market for management systems, the primary market in which the company operates in terms of revenue, is characterized by constant technological breakthroughs, evolving computer hardware standards, the development of software and communications infrastructure, a growing complexity of customer requirements, frequent improvements in user experience and new products constantly launching. Should the Company fail to develop technological improvements, to improve and enhance its products and services in a timely fashion, of properly identifying and translating its clients' needs or to position or price its products and services so as to meet the market demand, then the Company's clients may refrain from buying new software licenses, subscribing to use software and contracting services or the Company may lose competitiveness when it comes to attracting new clients.

In addition, the technology standards adopted by the Company's industry are rapidly evolving. Therefore, the Company cannot assure that the standards on which it has chosen to develop new products will allow it to compete effectively in the markets it serves. Any failure to make progress regarding the standardization of adopted languages, simplification of structures or convergence of solutions, as well as the delay or non-adoption of new technologies, including those considered disruptive, may have a material impact on the Company's business strategy and, consequently, on its financial results.

**The Company may fail to prioritize investments in developing new products and/or in managing the life cycle of existing products**

The Company has a broad portfolio of products and services, serving various segments with integrated management systems and specialized solutions, besides developing and launching new products, including those



from acquired companies with the purpose of composing its product mix in line with the pillars of its business strategy.

If the Company invests in new products that do not bring the expected financial return, keeps low-profit products in the portfolio, or fails to invest the required resources to develop and improve products and new technologies, the Company's competitiveness and financial results may be adversely affected.

**The Company may not be able to efficiently compete in the Techfin segment and other new markets.**

An important part of the Company's strategy is to enter new markets, including the markets of TechFin and Business Performance, and the Company's success in these segments will depend on its ability to extract, process, and monetize data from ERPs used by clients/customers, as well as, in the specific case of solutions aimed at business performance, generate insights and information so that its clients and customers can significantly increase their sales, in addition to its ability to scale these operations.

The Company may have difficulties to perform such operation in a sustainable manner due to its dependence on partners for structuring and funding it. It may also be impacted by the low amount and quality of data available.

The Company may not have sufficient distribution channels and sales force with technical knowledge of such new products and offerings, which may adversely affect its ability to penetrate and expand in these markets.

In addition, any possible legislative changes may make it difficult and/or require operational and conceptual adjustments to new business models by the Company, particularly with regard to data processing and specific regulations for certain segments.

Should such factors materialize and the Company is unable to develop, achieve, and expand the pillars of Techfin, Business Performance, and other new markets as planned, the investments made in these segments may not achieve the expected return, adversely impacting the Company's financial results. In addition, the Company may be impacted by the flattening of the originally projected growth curve due to the current social and economic scenario caused by the COVID-19 pandemic.

**The Company may be subject to risks related to errors or malfunction in its products that can be difficult or even impossible to fix.**

We offer technically complex products that, when first introduced or launched as new versions, may contain software or hardware defects that are difficult to detect or to correct. The existence of defects, errors and delays or inability to fix them can result in negative consequences, including: (i) cancellation of orders; (ii) additional warranty expenses; (iii) delays in the collection of receivables; (iv) product returns; (v) loss of acceptance of our products in the market; (vi) diversion of research and development funds that could be used to develop new products; (vii) any actions for damages; and (viii) reputational programs in the marketplace. The occurrence of any such defects or delays and the inability to fix them can adversely affect our reputation, our results and our financial condition.

**The Company's information technology ("IT") security measures may be breached or compromised by cyberattacks, including on the infrastructure required for supporting the Company's IT systems, which may lead to unexpected unavailability of such IT systems, data leakage, as well as reputational and financial damage to the Company.**

Unauthorized access to digital data and information or physical media, as well as any action to circumvent the information technology security measures in place at the Company and in our products and/or at our suppliers could lead to misappropriation of proprietary information owned by the Company and/or our clients that is stored on the Company's servers or public clouds homologated by the Company or cause interruptions in our services or





operations. Additionally, the security measures in place to protect data, be it our own or out clients', that is processed and stored by the Company can be inadequate or insufficient to prevent security breaches or cyberattacks. Should this scenario materialize, the Company's operating results, cash flow, liquidity and reputation may suffer a material adverse effect.

In addition, the Company's Datacenter, an environment designed to house servers and store data, among other things, is located near the Campo de Marte air base in São Paulo, a place with potential risk of aviation accidents.

If any of the aforementioned risks should materialize, including any such accident in said area as could damage the Company's Datacenter, then the data stored thereat may be affected, which could adversely affect the Company's image and business.

Should the Company be required to expend significant capital and other resources to protect against the threat of security breaches and to fix problems caused by breaches as well as by any unplanned unavailability of the Company's and/or its clients' IT systems, then the Company's business and revenues could be adversely affected.

**The Company is subject to risks associated with noncompliance with any Data Protection laws (both national and international) and can be adversely affected by any penalties or other sanctions imposed.**

In the year 2018, the General Data Protection Law (Law No. 13.709/2018, or "LGPD") was enacted to come into effect as of August 2020, which will transform the personal data protection system in Brazil. The LGPD establishes a new legal framework to be observed in personal data handling operations and provides, among others, for the rights of data subjects, the legal bases applicable to the protection of personal data, requirements for obtaining consents, obligations and requirements related to security incidents and leaks and to data transfers, as well as an authorization for creation of the National Data Protection Authority. Failure to comply or any partial compliance with the applicable provisions of the LGPD (General Data Protection Law of Brazil) will make the Company and its subsidiaries to be subject to sanctions, either in an isolated or cumulative manner, as warnings, an obligation to publish the incident, temporary blocking and/or elimination of personal data and a penalty equivalent to as much as two percent (2 percent) of the entity, group or conglomerate's revenues in Brazil for the latest fiscal year, net of taxes, up to the lump-sum amount of fifty million *Reais* (R\$50,000,000) per breach.

Additionally, because they handle data of people located in the European Union, the Company and its subsidiaries are also subject to sanctions under the GDPR (General Data Protection Regulation), which was passed in April 2016 and took effect in May 2018. Such regulation provides for obligations designed to preserve the right of European citizens, but also applies to all businesses in the world handling data concerning people or services in any European Union countries in connection with consent, right to access, removal and portability of personal data provided. Any breach of any provisions of said Regulation can result in penalties of up to four percent (4 percent) of the entity's overall annual revenues or twenty (20) million Euros, whichever the higher, as well as in the incident being announced to the Market and even the Company's activities being suspended.

Thus, failures in the service to the holders for performing any changes, blocking, revocation, portability, anonymization, pseudo-anonymization, and encryption of personal data processed by the Company, as well as in the functionalities connected to the subject of protection of personal and sensitive data of the products sold by the Company or any other noncompliance with the applicable law, can result in high fines payable by the Company, disclosure of the fact to the market, removal of the corresponding personal data from the database, and even the suspension of its activities, which may negatively affect the Company's image, reputation and results.

**The Company may be unable to efficiently compete in the highly competitive software industry.**

The Company competes with several companies engaged in the global, regional and local software markets and related services, including enterprise resource planning software vendors, open-source software developers,



companies providing consulting services and tech startups. Some of our potential or existing competitors are involved in a wider range of lines of business, and some of them have larger installed client bases for their products and services, or have significantly greater financial, technical, marketing and other resources than does the Company, enhancing their ability to compete with the Company. Likewise, the Company may lose market share or be unable to expand to new markets if it does not manage to make progress in the digitalization of its sales and distribution channels at a speed equal to or greater than its competitors, as well as if the companies with which it competes introduce or acquire new products that compete with the Company's products or add new functionalities thereto. In addition, as a result of signs of a downturn in ERP software market for large companies, some of the Company's competitors may tap the market for small and medium-sized businesses as an alternative course of action to increase their revenues, which could have a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

**The Company is subject to risks related to unauthorized or improper use of our intellectual and/or industrial property.**

The Company is subject to the misappropriation and inappropriate use of its solutions, as well as to legal and administrative proceedings connected to intellectual or industrial property. Any unauthorized access to physical or digital media may increase the risk of theft or misuse of its property. In addition, third parties may be able to copy or steal, by reverse engineering, a portion of the Company's products or otherwise obtain and use its intellectual property, which could harm the Company's competitive position in certain segments and reduce the value of its brands and products. In this case, the Company's business and results of operations may be adversely affected.

**The Company's growth depends on potential successors taking over key positions and on our ability to continue to attract and retain qualified individuals having specific technology expertise.**

The future success of the Company largely depends on its ability to train and retain potential successors to take over key positions on its Management team and other positions deemed strategic. Accordingly, the loss of anyone holding a key position could materially affect the Company's business and results of operations if our succession plan does not prove effective. The Company also relies on the continued provision of services by skilled key employees with specific knowledge in technology, admittedly scarce in the current scenario, considering the high market demand for such professionals and the more globalized competition for such talents. In addition, the trend towards adopting remote work models favors the hiring of professionals regardless of the geographical factor. Furthermore, there is continued and strong competition in the information technology industry for highly skilled sales, technical and other personnel, as the Company competes in a global market for such professionals. As a result, the Company may have to offer higher compensation to attract and retain qualified personnel, which may represent additional costs that may not be offset by improved productivity or higher prices.

**Our competitors include suppliers of market business applications (such as ERP, CRM (Customer Relationship Management) and BI (Business Intelligence) software), collaboration products and business intelligence products, and those engaged in open-source software initiatives, in which competitors may provide license-free software and intellectual property and companies are engaged in consulting activities.**

The Company's enterprise resource planning software products automate critical business processes, such as manufacturing, distribution, accounting, finance, human resources and sales. The Company's products include ERP, CRM and BI software, as well as specific modules — vertical ones — that provide additional capabilities that are specifically tailored to our clients' lines of business.

The lower entry barriers for competitors from other countries into the Brazilian market, the trend towards new distribution methods (e.g. software as a cloud service) and opportunities presented by the Internet and e-commerce could result in increased competition with the Company's products through the entry of systems



integrators, consulting firms, telecommunications firms, computer hardware vendors and other information technology service providers.

In addition, the competition in the market served by the Company can increase as a result of consolidations between potential clients of its products, as well as between its competitors, or as a result of strategic alliances between its competitors and other companies. In response to the competition, consolidation within the industries in which we are engaged and general adverse economic conditions, the Company may be required to give discounts or other price cuts or otherwise modify its billing practices in order to retain its ability to compete. These developments have adversely affected and may increasingly adversely affect the Company's revenues and profits.

**Acquisitions pose risks, and the Company may not achieve the strategic goals contemplated at the time of any transaction.**

The M&A is an important element of the Company's strategy, and we expect to continue to acquire companies, products, services and technologies. Risks we may encounter due to an acquisition include the following: (i) the acquisition may not contribute to our business strategy or we may pay more than its fair value; (ii) the Company may have difficulty assimilating the acquired technologies or products with its product lines, thereby failing to maintain uniform standards, controls, procedures and policies; (iii) our relationship with current and new employees, clients and distributors could be impaired; (iv) the due diligence process may fail to identify technical problems, such as issues with the acquired company's product quality or product structure; (v) the Company may face contingencies related to product liability, intellectual property, financial disclosures and accounting practices or internal controls; (vi) the acquisition may result in litigation initiated by terminated employees or third parties; (vii) the acquisition process may be met with setbacks and divert Management's attention to transition or integration-related issues; and (viii) the Company may be unable to timely obtain authorizations from governmental authorities under competition and antitrust laws; and (ix) acquisitions of companies with cultures that do not adhere to that practiced by the Company, hindering the process of integration and retention of strategic talents for the business.

Additionally, the process of integrating the acquired operations may not lead to the expected benefits, which could adversely affect the Company's business. In addition to the aforementioned risks, during this integration process, the Company may face other risks, including the following:

- Integration difficulties, such as (i) higher costs than anticipated to continue the expansion of distribution channels with quality and capillarity to serve the market; (ii) inability to manage a larger number of employees, geographically dispersed; (iii) inability to create and effectively implement uniform standards, controls, procedures, and policies, which could even lead to non-compliance with the guidelines of conduct set forth by the Company; and (iv) resistance and delay in the process of disseminating and unifying the organizational culture and (v) limitations imposed by antitrust authorities.
- Potential inability to coordinate and integrate software sales and development efforts to effectively communicate the possibilities of selling combined products, cross-sell products and successfully manage the combined sales of products as well as the integration of development activities carried out by acquired companies, failing to maximize expected synergies.

In addition, other unknown and undisclosed liabilities associated with the acquisition and integration of operations acquired by the Company may exist.

These factors could have a material adverse effect on the Company's business, results of operations, financial condition or cash flows, particularly in the case of acquisition of larger companies or acquisition of a bigger number of companies. Additionally, as the Company issues shares related to future acquisitions, existing shareholders may have their holdings diluted, and earnings per share may decline.



**The Company may be subject to unfavorable results in legal or administrative proceedings that could adversely affect its results and financial condition.**

The Company is a defendant in legal and administrative proceedings and cannot assure their outcome will be favorable. The provisions made can be insufficient to cover the total cost of such proceedings. Additionally, the Company may be subject to contingencies for other reasons that may require it to spend significant amounts. Rulings unfavorable to the Company's interests that may reach substantial amounts or prevent the conduct of business as initially planned may have an adverse effect on our business, financial condition and results of operations. For more information on relevant lawsuits, see items 4.3, 4.4, 4.5, 4.6 and 4.7 of this Reference Form.

**The Company is subject to the risk of lawsuits based on alleged infringements of third-party copyrights.**

The Company is subject to lawsuits based on alleged infringements of copyrights owned by third parties due, in part, to a recent increase in the number of patents and copyrights registered by tech companies. In this regard, certain technology upgrades and improvements, the enhancement of new solutions and the development of new products by the Company using standards previously developed and registered by other companies in the information technology sector may subject the Company to lawsuits and arbitration proceedings for infringement of trademarks, computer software, patents and copyrights that may adversely impact our reputation and results.

**The Company is subject to risks related to exclusive franchises and the provision of software implementation and customer care and relationship services in connection with its exclusive franchises.**

The Company conducts its business in the countries where it operates by way of direct sales and through exclusive franchises that sell and implement our solutions. These franchises make a substantial contribution to the Company's sales, particularly in the small and medium-sized business (SMB) market, and, as a result, our business and results can be directly affected by the performance of our franchisees. Franchisees participate in the origination of new clients and new sales, while also providing implementation services for our solutions directly to our clients. Any loss of franchises may compromise our relationship with clients in the relevant franchised territories and, as a result, the Company's financial condition and results of operations.

Quality and agility in the provision of implementation services by third parties under exclusive franchise agreements may not be equivalent to the quality of implementation services offered by our own sales channels, including with regard to the level of specialization required to sell certain segmented products, causing financial and operational losses to clients using business solutions from the Company and, as a result, penalties and lawsuits against the Company, as well as any such additional implementation services as may be required to be provided by the Company itself in order to adjust solutions poorly implemented by franchisees, which may adversely affect the Company's business, competitive position, market reputation, financial condition, results of operations and cash flows.

**We can be materially affected by breaches of the Brazilian Anti-corruption Law and similar anti-corruption laws.**

Law No. 12.846, dated August 1<sup>st</sup>, 2013 (the "Anti-corruption Law") introduced the concept of strict liability for legal entities involved in any acts that may harm the public administration, subjecting infringers to civil and administrative penalties. Similar to the United States Foreign Corrupt Practice Act, the Anti-corruption Law contemplates administrative sanctions to be imposed as result of any acts harming the public administration. Failure to comply with anti-corruption laws, conduct guidelines set forth in its Code of Ethics and Conduct, as well as investigations of misconduct, or penalties against the Company can lead to fines, loss of operating licenses and damage to reputation, as well as other penalties, which may have a material adverse effect on the Company. We cannot guarantee that we will be able to prevent or detect, through the controls adopted by the Company, all



inappropriate practices, fraud or violations of the applicable Anti-Corruption Laws and the Company's Code of Conduct by any of our managers, employees or representatives.

**If the Company does not complete the acquisition of companies that are essential to consolidate the pillars of its business strategy and its inorganic growth plan, its results may be adversely affected and the Company could suffer a loss of competitiveness against other players in the market**

The Company has historically carried out acquisitions of companies with the purpose of achieving planned inorganic growth and complementing its product portfolio. The market for mergers and acquisitions is currently very heated, which generates greater competition in this industry, especially in the technology, finance, payment, and business performance segments. Accordingly, the Company may not be able to successfully complete certain M&A transactions that are considered strategic for its business plan, growth, and development of new markets, or may have to pay higher prices than initially expected, which may adversely affect its financial results and imply a loss of competitiveness against direct or indirect competitors, including as regards the conquest of new markets.

**Holders of shares in the Company may not be paid dividends or interest on equity.**

Under the Company's bylaws, its shareholders are to be paid at least 25 percent of its annual net income, as calculated and adjusted in accordance with the Brazilian Corporate Law, in the form of compulsory annual dividends, interim dividends or interest on equity payments. The Brazilian Corporate Law allows suspension of the payment of compulsory dividends to shareholders for a certain fiscal year if the Company's board of directors determines that such payment is not advisable due to the Company's financial condition. Furthermore, as provided by the Brazilian Corporate Law, the Company's net profit may be: (i) capitalized; (ii) used to offset losses; or (iii) retained and allocated to a special reserve; and it may thus be not available for any dividend or interest on equity payments. Should any such event take place, then the holders of common shares in the Company may not receive dividend or interest on equity payments.

In addition, interest on equity payments may be compromised by any change to the tax laws, and some of the Company's financing agreements provide for restrictions on dividend payments.

**The Company may need additional capital in the future, which it may raise by issuing securities, which may lead to dilution of investors' holdings of shares issued by the Company.**

In the future, the Company may issue additional shares or securities convertible into or exchangeable for shares in the Company in order to raise capital, to make acquisitions or for several other purposes. Additional issues of common shares in the Company may occur as a result of any exercise or conversion of convertible bonds, subscription warrants, stock options or other share-base incentive rewards. Such issues may not contemplate preemptive rights for the Company's shareholders in certain situations provided for in the Brazilian Corporate Law, which may dilute investors' shareholdings in the Company. Additionally, the Company may enter into merger and acquisition transactions or other similar transactions in the future, which may dilute the investors' interest in its share capital. Any strategic partnership or any issue or placement of common shares in the Company and/or securities convertible into or exchangeable for common shares in the Company may affect the market price of its common shares and could result in dilution of investors' shareholdings.

**b. Risk related to the Company's direct or indirect controlling shareholder or controlling group**

**The Company does not have a controlling shareholder or a controlling group holding more than 50 percent of its voting capital, which can make it susceptible to shareholder alliances, shareholder conflicts and other events that can result from the lack of a controlling shareholder or controlling group holding more than 50 percent of the voting capital.**





The Company does not have a controlling shareholder or a group holding the absolute majority of its voting capital. However, alliances or agreements among shareholders may be formed which could have the same effect as having a controlling group.

If a controlling group emerges and gains the power to make the Company's decisions, then the Company could go through sudden and unexpected changes in its corporate policies and strategies, including through mechanisms such as the replacement of its managers. Moreover, the Company may become more vulnerable to hostile takeover attempts and to disruptions that may be associated with these attempts. The Company may also become a target of attacks by investors attempting to evade the provisions of its Bylaws requiring a shareholder who acquires more than 20 percent of its shares to conduct a public offering for all shares. The absence of a controlling shareholder or group holding more than 50 percent of the voting capital could hinder certain decision-making processes since the minimum quorum required by law for certain resolutions may not be achieved. Any unexpected change in the management team, in the corporate policy or strategic orientation, any attempt at acquisition of control or any dispute among shareholders concerning their respective rights may adversely affect the Company's business and results of operations.

#### **c. Risks related to our shareholders**

There are no material risks involving the Company the source of which are its shareholders.

#### **d. Risks related to the Company's subsidiaries and affiliates**

**Negative results of any subsidiaries may adversely affect the Company's results of operations.**

The Company holds direct and indirect interests in several companies. Accordingly, part of its results come from the results of said companies and, as such, non-satisfactory results of any such companies may adversely affect the Company's results. Additionally, any worsening of industry and market conditions in the operation of those businesses may adversely affect the consolidated result of the Company's operations.

#### **e. Risks related to the Company's suppliers**

**The loss of relationship with and/or bankruptcy of service providers, including as regards to services provided by information technology partners, or support services to maintain products and services, may impact the continuity of the Company's operations.**

The Company has suppliers and providers that are critical for the continuity of the operation and the provision of services to its customers and clients. The services provided and the products we use from our partners, for example, telecommunication systems, internet, and data centers are essential parts of the SaaS, *Cloud*, and *on-premise infrastructure*.

In case of any interruptions or fluctuations on the service level delivered by such providers, the products and services offered by the Company to its clients and customers may be affected, and the failures that have occurred may negatively affect the market's perception of the quality and reliability of the Company's products or services.

The concentration on a few providers of services that are critical to the Company's operation can generate a level of dependence that is harmful to the Company and negatively impact the quality of its products and services in any event of failure or inadequacy of the service level by its providers.

If the Company's suppliers or service providers have problems that impact or prevent the delivery and quality of products and services or suffer an insolvency or bankruptcy process that compromises the fulfillment of their contracts, the Company may be adversely impacted both on its operation and on the products and services offered



to its clients and customers, as well as on its results, its reputation with clients/customers and the market, and on the percentage of customer retention.

**The Company licenses languages and/or technological platforms from suppliers, which may affect and/or fail to meet expectations of delivery according to an ever-changing product portfolio, and may have technical specifications that depend on products and platforms, which could have an impact on technology convergence initiatives.**

The dependence on these suppliers and the absence of or failures in mapping the priority of products and solutions could affect the Company's costs regarding its decisions to keep, discontinue or change the technology by interfacing making an interface with processes, people and systems. In addition, there is no way to guarantee that suppliers follow and respond to changes in the external environment, strategic business goals and those proposed for disruptive solutions. In that case, the Company's business and results of operations may be adversely affected.

#### **f. Risks related to the Company's clients**

**If Company clients lose confidence in the security and use of their data due to risks of leaks and/or misuse, its revenues could be adversely affected.**

Attempts by experienced computer programmers or hackers to gain unauthorized access to client networks or web sites to misappropriate confidential information are currently an industry-wide phenomenon that affects computers and networks across all platforms. Any actual or perceived security vulnerabilities of Company products (or the Internet in general) can lead certain clients to seek to reduce or delay future purchases or to purchase competitive products which are not Internet-based applications. Clients may also allocate an increasing portion of their capital expenditures to the protection of their computer networks from security breaches, which could delay their investment in new technologies.

Any of these actions by clients could adversely affect the Company's business and results of operations.

**The Company may have its customer base affected if its service and support capabilities are not suited to its growth.**

In view of the Company's growth strategy, whether through acquisitions or organic growth, its client/customer base is expected to increase, bringing challenges from the point of view of capacity and agility in customer service and support. Furthermore, depending on the solutions used, clients/customers may have to access different service channels, which can slow down the process and affect the customer experience.

If the Company is unable to provide service and support quickly, in a timely manner, and meeting expectations, its customer retention rate and its results may be adversely affected.

#### **g. Risks related to the economic sectors where the Company operates**

**Unfavorable conditions in the Company's industry or the global economy, as well as reduced spending on information technology, can limit the Company's ability to grow and develop our business and adversely affect our results of operations.**

The Company's results of operations may vary according to the impact of changes in the industry or the global economy on the Company or its clients. Growth in revenues and potential profitability of our business depends on the demand for the Company's software and hardware, as well as related services.



Because the Company operates as a service provider, part of its revenues stems from the number of new software users in each of our clients, which is in turn influenced by the existing and potential clients' employee hiring policies. To the extent that unfavorable economic conditions lead the Company's existing and potential customers to keep or reduce their demand for our services, our revenues can be adversely affected. Economic crises have historically resulted in global spending cuts on information technology, as has the pressure for longer billing cycles, as the case was during the recent 2016 recession and the economic crisis caused by the coronavirus pandemic in 2020, the effects of which may still be reflected this year.

#### **h. Risks related to the regulation of the industry where the Company operates**

##### **Amendments to or different interpretations of any tax or labor laws can adversely affect the Company's results.**

Tax authorities have been frequently making changes to tax regimes, such as changes in tax rates and the creation of taxes, whether temporary or permanent, which can affect the Company's strategy. Some of these changes can increase the tax burden on the Company, which may limit its ability to do business in existing markets, thereby having a material adverse effect on our profitability.

The Company is currently entitled to certain tax benefits and/or special taxation systems. There can be no assurance that such benefits will be maintained or renewed given the current political and economic environment in Brazil. Should the Company be unable to renew its tax benefits or if any such benefits are changed, limited, suspended or revoked, then the Company may be adversely affected. In addition, certain tax laws can be subject to conflicting interpretations by tax authorities. If the tax authorities may interpret tax laws differently from the Company's interpretations, the Company could be adversely affected.

In addition, the Company's activities are subject to direct or indirect taxes, levies and contribution that, in turn, are subject to changes, which may adversely affect our business, financial condition, results of operations and cash flows.

Any such change may result in higher taxes being imposed on: (i) the Company's gross revenues; (ii) on the royalties that are paid to the Company's partners both in Brazil and abroad; (iii) on financial income; (iv) on gross profits; and, especially, (v) the Company's personnel costs. The adverse effect of such changes in tax and labor laws can adversely affect the Company's competitiveness relative to its competitors, especially foreign ones, in the event that they raise taxes only to companies based in Brazil.

##### **Any failure or inability to protect such intellectual property rights as trademarks, patents and domain names or any infringement of third-party intellectual property can have adverse impacts on the Company's business.**

The Company cannot ensure that the existing protections for our confidential information will be appropriate. Furthermore, third parties may succeed in copying or using reverse engineering any part of the Company's products or otherwise obtain and use its intellectual property, which could adversely affect the Company's competitive position and reduce the value of its trademarks and products, in which case the Company's business and results of operations may be adversely affected.

#### **i. Risks related to foreign countries where the Company operates**

The Company operates and has clients and customers in other countries, especially in Argentina, Colombia, and Mexico, and may suffer adverse impacts from its operations in current and future foreign markets. However, it is worth noticing that, if any risk arising from such operations becomes a fact, the Company understands that their effects would not be significant as the net revenue ascertained outside Brazil in the fiscal year ended on December





31, 2019 represented less than 3% of its total net income, so it would not have a relevant impact on the total set of its operations.

#### **j. Risks related to social and environmental issues**

The Company's business does not pose any significant risks related to social and environmental issues.

#### **k. Macroeconomic Risks**

**The federal government has exerted and continues to exert significant influence on the Brazilian economy. Such influence, as well as Brazil's current economic and political scenario, can have a material adverse effect on the Company.**

The Brazilian economy has been through frequent interventions by the federal government, which sometimes makes significant changes in its monetary, credit, tariff, tax and other policies to influence said economy. Measures taken by the federal government to control inflation, as well as other policies and rules, oftentimes lead to higher interest rates, changes in tax policies, price controls, interventions in the exchange market, capital controls and limitations on imports, among other actions. The Company has no control over and cannot anticipate what changes or policies the federal government may adopt in the future.

The Company may be materially and adversely affected by changes in any policies or regulations involving or affecting certain factors, such as:

- expansion or contraction of the Brazilian economy, as measured by GDP growth rates;
- inflation;
- exchange rates;
- interest rates;
- higher unemployment;
- changes in fiscal and tax laws;
- changes in labor legislation;
- liquidity of domestic financial and capital markets;
- restrictions on fund remittances abroad; and
- any such other political, social and economic developments as may take place in Brazil or affect it.

The uncertainty about the implementation of political or regulatory changes by the Brazilian government creates instability in the Brazilian economy, increasing volatility in the country's securities market. To these uncertainties, one should add the recession with a period of slow recovery in Brazil and other future developments in the Brazilian economy that may adversely affect activities and, consequently, its results of operations, as well as the trading price of the Company's shares.

**Political instability has adversely affected the Brazilian economy, as well as the Company's business and results of operations, and may also affect the trading price of its shares.**



Brazil's political environment has historically influenced and continue to influence the performance of the Brazilian economy and the confidence of investors and the public at large, resulting in economic slowdowns and increased volatility for securities issued by Brazilian companies.

The markets in Brazil have shown increased volatility due to uncertainties arising from ongoing investigations conducted by the Brazilian Federal Policy and the Brazilian Federal Prosecutors' Office, among them "Operation Car Wash". Such investigations have impacted the country's economy and political environment. Some former members of the Brazilian federal government, the Legislative power and leaders of the Brazilian political class, whether or not with a term of office currently in force, as well as executive officers from large public and private companies, are facing accusations of corruption for allegedly having accepted bribes through kick-backs on concession contracts entered into by the government regarding infrastructure, oil and gas, and construction companies, among others. Such kickbacks have supposedly funded political campaigns, and the amounts have been kept off the books and not publicly disclosed, serving to foster the personal enrichment of beneficiaries of the corruption scheme. As a result, several politicians, including members of Congress, and executives of large Brazilian state and privately-owned companies have resigned from office and/or been arrested, while other persons are still being investigated for alleged unethical and illegal conduct found as part of such investigations.

While the potential outcome of these investigations is uncertain, they have had a negative impact on the image and reputation of the companies involved, as well as the overall market perception of the Brazilian economy. Developments in these cases involving unethical conduct have adversely affected and may continue to adversely affect the Company's business, financial condition and results of operations, as well as the trading price of its shares. The Company cannot anticipate whether ongoing investigations will lead to greater political and economic instability or whether new allegations against government officials and/or private company executives will arise in the future.

Furthermore, the Company cannot anticipate the outcome of such investigations or the impact they will have on the Brazilian economy or stock market.

Uncertainties connected to the implementation of structural reforms by the new Brazilian federal government, as well as changes regarding monetary, tax, and social security policies and their corresponding legislation, may contribute to economic instability. Such uncertainties and new measures may increase the volatility of the Brazilian securities market.

The President of Brazil has the power to determine policies on how the Brazilian economy is conducted and, accordingly, such policies may affect the operations and financial performance of companies, including those of the Company. The Company cannot predict which policies the Brazilian Federal Government will adopt, much less whether such policies or changes in current policies could have an adverse effect on the Company or on the Brazilian economy.

**Inflation and governmental efforts to fight inflation may contribute to a situation of economic uncertainty, adversely affecting the Company and the market price of its shares.**

In the past, Brazil recorded high inflation rates, which, combined with certain actions taken by the Brazilian government to fight them and speculations about what measures would be taken, have had adverse effects on the Brazilian economy. The General Market Price Index ("IGP-M") ended 2020 with an accumulated increase of 23.14%, compared with 7.30% in 2019, which represented the largest annual variation since 2002 (25.31%). Historically, inflation control measures taken by the Brazilian government included maintaining strict monetary policies, with high interest rates, and consequently limiting the availability of credit and slowing economic growth. The Monetary Policy Council ("COPOM") often adjusts the key interest rate in situations of economic uncertainty in pursuit of the targets set as part of the Brazilian government's economic policy. Inflation, as well as governmental measures to fight it and public speculation about potential governmental measures going forward,



has had material adverse effects on the Brazilian economy and contributed to economic uncertainty in Brazil, which increases volatility in the Brazilian capital market and may have an adverse effect on the Company.

Any measures to be taken by the Brazilian government in the future, including lowering interest rates, intervening in the exchange market and implementing mechanisms to set or determine the value of the Real, may trigger inflation, adversely affecting the overall performance of the Brazilian economy. If Brazil should face high inflation in the future, the Company might not be able to adjust the prices it charges to its clients to make up for the effect of inflation on its cost structure, which could increase costs and decrease the Company's operating and net margins.

In addition, in the event of rising inflation, the Brazilian government could choose to significantly raise interest rates. An increase in interest rates can affect not only the costs of our new borrowings, but also the cost of the Company's existing indebtedness, as well as its cash and cash equivalents, bonds and securities and leases payable, which are subject to interest rates. Accordingly, any fluctuation in Brazil's interest rates and inflation can adversely affect us because the Company has borrowings indexed to the Interbank Deposit Certificate ("CDI") rate and the Official Long-Term Interest Rate (TJLP). On the other hand, a significant decrease in the CDI, TJLP or inflation rates can adversely affect the revenues from the Company's financial investments.

#### **Unstable exchange rates can adversely affect the Brazilian economy and, as a result, the Company.**

The Brazilian currency (Real) has experienced intense fluctuation against the US Dollar and other hard currencies over the past four decades. Throughout this period, the Federal Government has implemented various economic packages and used various foreign exchange policies, including sudden currency depreciations, periodic mini-depreciations, floating exchange rate market systems, exchange rate controls, and dual foreign exchange market. Since 1999, Brazil has had a floating currency system in place with the Central Bank intervening in foreign currency purchases or sales. From time to time, there have been significant fluctuations in the exchange rate as between the Real and the US Dollar and other currencies. In 2016, the Real appreciated against the US dollar by 16.3 percent, ending at R\$3.25 at the close of the fiscal year. On December 29, 2017, the exchange rate in Reais per Dollar was R\$3.31, rising to R\$3.88 at the end of 2018, closing at R\$ 4.01 in 2019. The year 2020 was marked by a strong rise of the dollar at 29.33%, quoted at R\$5.19. There can be no assurance that any depreciation or appreciation of the Real against the Dollar or other currencies would not have an adverse effect on the Company's business. In addition, some service costs bound to the US dollar may impact its results.

A depreciated Real can create additional inflationary pressures on Brazil and lead to interest rate increases, which may adversely affect the Brazilian economy, taken as a whole, and the Company's performance due to a contraction in consumption and an increase in the Company's costs, as well as because part of our raw materials and/or the components used in hardware manufacturing have their price directly or indirectly tied to the US Dollar. On the other hand, an appreciation of the Real may lead to deterioration in the country's current accounts and balance of payments and may slow the export-driven growth in the gross domestic product. The Company does not exert any influence on the foreign exchange policy in place in Brazil, nor does it have the ability to anticipate it. The Company's business, financial condition, results of operations and prospects may be adversely affected by changes in such foreign exchange policies.

#### **Any downgrading of Brazil's credit rating may adversely affect the trading price of the Company's shares.**

Credit ratings affect the risk perception of investments. Risk rating agencies regularly assess Brazil and its sovereign credit ratings based on a variety of factors, including macroeconomic trends, physical and budgetary conditions, debt metrics and prospects of change in any of these factors.

Rating agencies started to review Brazil's sovereign credit rating in September 2015. Subsequently, Brazil lost its investment grade status by the three leading rating agencies.



- Standard & Poor's initially downgraded Brazil's credit rating from BBB- to BB+, and then again from BB+ to BB, keeping its negative outlook on the rating and citing a worse credit condition since the first downgrade. On January 11, 2018, Standard & Poor's downgraded Brazil's credit rating again from BB to BB-, with a stable outlook in view of the presidential election and pension reform efforts. Currently, the credit rating remains unchanged at this agency.
- In December 2015, Moody's put the ratings assigned to Brazilian Baa3 bonds under review for downgrade, and in February 2016, they downgraded the ratings to below investment grade, to Ba2 with a negative outlook, citing prospects for further deterioration in Brazil's debt indicators, considering an environment of slow growth and challenging political dynamics. Currently, the credit rating remains unchanged at this agency.
- Fitch downgraded Brazil's sovereign credit rating to BB+ in December 2015 with a negative outlook, citing a rapid expansion of the country's budget deficit and recession at a worse level than expected. Later, in May 2016, Fitch downgraded the rating to BB with a negative outlook, which was maintained in 2017. In February 2018, Fitch downgraded Brazil's sovereign credit rating again to BB-, citing fiscal deficits, the heavy and growing burden of the national debt, and the impossibility of implementing reforms that would improve the structural performance of government finance. Currently, the credit rating remains unchanged at this agency.

In view of the downgrades occurring since 2015, Brazil has lost its investment grade status by the three leading rating agencies, and, as a result, the trading prices of securities in the Brazilian debt and stock markets have been adversely affected. The continuation of Brazil's current recession could lead now credit rating downgrades.

We cannot ensure that credit rating agencies will maintain these Brazilian credit ratings, and any downgrade in Brazil's sovereign credit rating may increase the perception of risk among investors and, as a result, increase the cost of future issues of debt instruments and adversely affect the trading price of the Company's shares.

**The relative volatility of the Brazilian capital market may considerably restrict investors' ability to sell the Company's shares for the desired price and at the desired time.**

An investment in Brazilian securities, such as the Company's shares, involves a higher degree of risk than an investment in securities whose issuers are based in countries with more stable political and economic scenarios, and such investments are generally considered speculative in nature. These investments are subject to economic and political risks, including, among others:

- Changes in the regulatory, tax, economic and political arena that can affect investors' ability to be paid, in full or in part, for their investments; and
- Restrictions on foreign investments and on the repatriation of invested capital.
- Unexpected events that could adversely affect the Brazilian or global economy, such as pandemics and large-scale natural disasters.

The Brazilian securities market is considerably smaller, less liquid, more volatile and more concentrated than major international securities markets, such as the United States of America. As of March 31, 2020, the total market capitalization of companies listed on B3 S.A. – Brasil, Bolsa, Balcão ("B3") amounted to around R\$3,2 trillions, and the ten largest companies listed on B3 represented around 44 percent of the total market capitalization of all listed companies as of said date. These market characteristics could considerably limit the ability of holders of shares in the Company to sell them for the desired price and on the desired date, unfavorably affecting the trading prices of the Company's shares.



**Risks related to the situation of the global economy may affect the risk perception in other countries, especially the United States of America and emerging markets, which may adversely affect the Brazilian economy, including through fluctuations in securities markets, which may impact the trading price of the Company's shares.**

The Company's growth is directly tied to the expansion of Brazil's domestic market, and our business is very integrated with the operations of our clients, which are spread over various sectors of the economy. A slower pace of economic growth in Brazil or even a possible recession scenario, with a contraction of both wholesale and retail demand, a reduction of investments in capital assets and infrastructure and a tighter competition in the industry can directly affect the Company's operating and financial results.

In addition, the market value of securities issued by Brazilian companies is influenced to varying degrees by economic and market conditions in other countries, including developed economies like the United States of America and certain European countries, as well as emerging economies. The reaction of investors to developments in such other countries may have an adverse effect on the market value of securities issued by Brazilian companies, particularly those listed on stock exchanges. Share prices on B3, for example, have historically been affected by fluctuations in the interest rates in place in the United States of America, as well as variances in key US stock indices. Any increase in the interest rates of other countries, particularly the United States of America, can reduce global liquidity and investors' interest in Brazil's capital markets, thereby adversely affecting the Company's shares. Furthermore, any crises or material developments in other countries and capital markets can reduce investors' interest in securities issued by Brazilian companies, including securities issued by the Company and their respective trading price, which may additionally hamper or fully prevent the Company's access to capital markets and financing for its operations in the future on acceptable terms.



## 4.2 – Description of the main market risks

The main market risks to which the Company is exposed are associated with the inflation rate, interest rates and exchange rates observed in the macroeconomic scenario.

### **Inflation**

The main costs and expenses of the Company are regularly adjusted. Examples of expenditures adjusted in line with inflation rates are rent and communications expenses. Personnel expenses (salaries, benefits and charges), which represented 50.7% of total operating costs and expenses for the year ended December 31, 2019 are covered by regional collective bargaining, which takes the inflation rate as a reference (usually close to the Broad Consumer Price Index or IPC-A).

Agreements for recurring software revenues (maintenance, subscription and services) which represented 75.8% of net revenues as at December 31, 2019 (which covered approximately 88.4% of total operating costs and expenses), are also annually updated taking inflation rate as a reference, usually the IGP-M index.

In the past, the Company has also updated its price list of software license fees, new subscriptions, hourly rates for services and hardware solutions in line with inflation rates. There is no guarantee that the Company will continue to pass on the inflationary impacts on these revenue lines in the future.

Since the inflation indices used to adjust the revenue lines are different from those used to adjust costs and expenses, inflation may cause a material effect on the Company's operations.

### **Interest rate**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, payables, debentures and loans and financing, and are recorded at cost plus income or charges incurred, or at fair value when applicable. The key risks related to the Company's operations are related to the variations in:

- (i) the Interbank Certificate of Deposit (CDI) rate for financial investments and the debentures issued in 2017; and
- (ii) the official long-term interest rate (TJLP) for loans from the Brazilian Development Bank (BNDES).

Investments at fair value through profit or loss relate to privately held startups which do not have prices quoted in an active market. The fair values of these investments are measured by multiple valuation techniques employed by the market, such as discounted cash flow and earnings multiples, considering the reasonableness of the range of values they show. The fair value measurement is the point within that range that best represents fair value in the circumstances.

In order to verify the sensitivity of the indexer on the debts owing by the Company as at December 31, 2019, three different scenarios were defined. Based on the TJLP, IPCA and CDI as at December 31, 2019, a probable scenario (scenario I) was defined for the year 2019. From this, variations of 25% (scenario II) and 50% (scenario III) were calculated.

For each of these scenarios "gross financial revenue" was estimated, without including taxes or contract maturities scheduled for 2019. The reference date for the loans and debentures was December 31, 2018, with a one-year projection to check their sensitivity to each scenario.





Transaction (BRL thousand)	Balances as at 12/31/2019	Risk	Probable Scenario I	Scenario II	Scenario III
Financing - BNDES	BRL 4,120	TJLP (a)	5.57%	6.96%	8.36%
<b>Estimated financial expense</b>			<b>R\$229</b>	<b>R\$287</b>	<b>R\$344</b>
Debentures	BRL 202,973	CDI (b)	4.40%	5.50%	6.60%
<b>Estimated financial expense</b>			<b>BRL 8,931</b>	<b>BRL 11,164</b>	<b>BRL 13,396</b>

(a) Long Term Interest Rate

(b) Interbank Certificate of Deposit

### Exchange Rate

Some subsidiaries have international operations and are subject to exchange risk arising from exposures in currencies such as the US dollar (USD), Argentinean peso (ARS), Mexican peso (MXN), Taiwan new dollar (TWD) and Chilean peso (CLP).

The Company endeavors efforts to ensure that its net exposure is maintained at an acceptable level in accordance with the policies and limits determined by the Management and monitors the possible impacts of the Covid-19 pandemic on each of these companies, with the consolidated net exposure for the year ended December 31, 2020 was as follows:

As at December, 2020	BRL thousands					
Company	Accounts payable	Cash and Cash Equivalents	Accounts receivable	Other assets	Net exposure	Currency
RJ Consultores México	(43)	2.160	284	-	2.401	Peso (MXN)
CMNet Participações S.A.	(304)	1.033	580	-	1.309	EUR/ Peso (CHI e ARS)
TOTVS S.A.	(6.273)	-	-	-	(6.273)	USD
TOTVS Large	-	-	-	5.988	5.988	USD
TOTVS México	(1.540)	3.235	4.949	-	6.644	Peso (MXN)
TOTVS Argentina	(1.511)	5.197	9.548	-	13.234	Peso (ARS)
TOTVS Corporation	(1.962)	1.254	-	92.770	92.062	USD
<b>Total</b>	<b>(11.633)</b>	<b>12.879</b>	<b>15.361</b>	<b>98.758</b>	<b>115.365</b>	

### Credit Risk

Credit risk is the risk that the counterparty of a deal may not meet its obligations under a financial instrument or customer contract, resulting in a loss.



The Company's exposure to credit risk is also influenced by the individual characteristics of each client/customer. The Company has set forth a credit policy in which each new client/customer has its/his/her credit capacity analyzed individually before having access to the ordinary payment terms and conditions.





#### 4.3 – Non-confidential and relevant legal, administrative or arbitral proceedings

The Company and its controlled companies are involved in legal actions on tax, labor and civil matters.

The assessment of the chances of loss includes the assessment of the evidence available, the hierarchy of the laws, the current case law, the latest decisions in the courts on each matter, and the assessment of the outside lawyers. The Company continuously reviews its estimates and assumptions.

The Company records provisions for contingencies in accordance with the accounting practices adopted in Brazil and the IFRS and establishes provisions for proceedings with a chance of probable loss, as assessed and classified by its legal advisors. For those proceedings which chances of loss are deemed possible, the Company does not record any provision; however, it discloses in the notes of its financial statements the nature and amounts of the most relevant matters classified in this category.

Individually relevant proceedings were considered, for purposes of this item 4.3 of the Reference Form, proceedings to which the Company or its controlled companies are defendants and which (i) have an individual amount equal to or greater than R\$5 million for proceedings with a chance of probable loss and R\$10 million for proceedings with a chance of possible or remote loss; and (ii) regardless of amount, which may have a negative impact on the image of the Company and its controlled companies or have a material adverse effect on the business of the Company and its controlled companies.

The amount of the provisions made on December 31, 2020, December 31, 2019 and 2018 are as follows:

<b>Nature (in thousands of Reais)</b>	<b>On 12/31/2020</b>	<b>On 12/31/2019</b>	<b>On 12/31/2018</b>
Tax Matters	7,440	7,671	2,946
Labor Claims	82,496	87,988	94,832
Civil Proceedings	35,882	35,862	30,014
	<b>125,818</b>	<b>131,521</b>	<b>127,792</b>

#### **Tax Matters**

On December 31, 2020, the provision made for tax claims amounted to R\$7,440 thousand (R\$7,671 in December 31, 2020). There are no proceedings of a tax nature that the Company deems to be individually relevant.

#### **Civil Proceedings**

The proceedings of a civil nature classified as a probable loss concern mainly actions filed by customers on an allegation of certain problems in the delivery of products and/or services, application of the standard increment, application of grace period to terminated agreements, and undue collections. On December 31, 2020, the provision made for these proceedings amounted to R\$35,882 thousand.

<b>Case No.: 0046742-37.2008.8.08.0024/ 001223081.2015.8.08.0024 /</b>	
<b>a. Court</b>	11th Lower Civil Court of Vitória – State of Espírito Santo
<b>b. Court Level</b>	Low
<b>c. Filing date</b>	07/22/2009
<b>d. Parties to the case</b>	Plaintiff: Unimed Vitória Cooperativa De Trabalho Médico Defendant: TOTVS S/A



<b>e. Amounts, property or rights involved (R\$ thousand)</b>	<p>R\$18,013 thousand (updated until December 31, 2020)</p> <p>The aforementioned amount includes the amount of adverse judgment (R\$2,511 thousand) restated and accrued by default interest of 1% per month since the summons (May 12, 2009), plus attorney's fees of 10%, plus the penalties established in article 523, paragraph 1 of the CPC (Code of Civil Procedure) (fine of 10% + fees of 10%) + remote amount.</p> <p>Once both Appeals have become final and non-appealable, the amount relating to the penalties of article 523, paragraph 1 of the CPC shall be excluded from the provision.</p>
<b>f. Key facts</b>	<p>This is an action for property damages due to alleged failure in the development of a system (Informenge), which caused a loss estimated at the time in R\$2,511 thousand.</p> <p>The proceeding is currently in phase of objection to judgment enforcement, and the release of the amount deposited by TOTVS (R\$10,190 thousand) was stayed due to the interlocutory decision rendered in the case records of Action for Relief from Judgment No. 0003132- 13.2016.8.08.0000.</p> <p>In the lower court, the imposition of the penalties established in article 523, paragraph 1 of the CPC (fine + fees) was established twice on grounds that no voluntary payment of the obligation was made. However, both decisions were ruled out by the judgment of interlocutory appeals No. 0014624.90.2017.8.08.0024 (pending judgment of Special Appeal (REsp)) and No. 0030011-14.2018.8.08.0024 (term for special appeal in course).</p> <p>The aforementioned Action for Relief from Judgment seeks full exclusion of the adverse judgment imposed in the Action for Indemnity. Early relief was partially obtained to stay the release, by UNIMED, of the amount deposited by TOTVS in the Action for Indemnity. The parties recently made a statement in favor of summary judgment of the case.</p>
<b>g. Chance of loss</b>	<p>Probable – R\$13,425 thousand          Remoto – R\$4,588 thousand</p>
<b>h. Impact in case the company lose this lawsuit</b>	<p>In case of loss of suit, the adverse party shall make the release of the amount already deposited in the case records, in the original amount of R\$10,190 thousand. The amount adjusted for inflation in March 2019 is R\$12,416 thousand.</p> <p>The Court Deposit was made on December 22, 2017 and corresponds to the credit required by UNIMED, without inclusion of the penalties of article 523, paragraph 1, because we understand that said penalty is undue.</p> <p>We do not understand that the deposited credit is intended to “guarantee the decision”, but rather to comply with the order of voluntary payment of the obligation. The release by UNIMED was not made only due to the interlocutory decision</p>



	rendered in the aforementioned Action for Relief from Judgment.
	In case the Action for Relief from Judgment is dismissed, we understand that the deposited amount is sufficient to settle the amount in dispute, especially in view of the release effect (Precedent 179 of the Superior Court of Justice (STJ) – The credit establishment that receives money in court deposit is liable for payment of the monetary restatement).

### **Labor Claims**

The labor claims are proceedings filed by former employees of the Company petitioning for labor amounts, and of service provider companies claiming both acknowledgement of employment relationship and other labor amounts. In December 31, 2020, the allowance made for these claims totaled R\$82,496 (R\$87,988 thousand on December 31, 2019).

In December 31, 2020, there were no proceedings of a labor nature that the Company deems to be individually relevant, considering the value of R\$5 million for proceedings classified as “possible” loss.

### **Other pending proceedings (classification as “possible” loss)**

Additionally, the Company and its controlled companies are parties to other legal proceedings the risk of loss of which, in accordance with the outside lawyers in charge and the Company Management, is possible. No provision was acknowledged for them, as follows:

<b>Nature (in thousands of Reais)</b>	<b>On 12/31/2020</b>	<b>On 12/31/2019</b>	<b>On 12/31/2018</b>
Tax Matters	143,725	137,180	154,953
Labor Claims	119,637	90,509	160,326
Civil Proceedings	181,097	271,647	315,507
	<b>444,459</b>	<b>499,336</b>	<b>630,786</b>

The Company understands that only the proceedings the amounts in dispute of which may have a substantial impact on its equity or on the equity of its controlled companies are relevant. The following are the proceedings that the Company deems to be relevant:

### **Tax Matters**

Tax and social security lawsuits ranked as possible loss refer especially to lawsuits that discuss ISS (service) tax charge notices issued, and also CSLL tax credits offsetting with negative balance.

As of December 31, 2020 the amount discussed in those lawsuits, ranked as possible loss, totals R\$143,725 thousand (R\$137,180 thousand on December 31, 2019).

<b>Tax debt collection suit No.: 6017.2019/0010313-2 (that replaced the suits No. 6017.2019/0010309-4)</b>	
<b>a. Court</b>	City Hall of the Municipality of Sao Paulo
<b>b. Court level</b>	Trial Court



<b>c. Suit brought on</b>	02/27/2019
<b>d. Parties in the lawsuit</b>	Plaintiff: City Hall of the Municipality of Sao Paulo Defendant: TOTVS S/A
<b>e. Amounts, assets, or rights involved (R\$ thousand)</b>	R\$21,948 thousand (updated until December 31, 2020)
<b>f. Key facts</b>	This is an administrative proceeding in which 227 notices of tax infraction were drawn against TOTVS, intended to charge ISS (services) tax that would allegedly be due on IT support and software development services for the 2014 calendar year. A challenge was filed against such notices of tax infraction drawn on February 27, 2019. Judgment of such challenge is being awaited, as such suit received a new number as reported above.
<b>g. Chance of loss</b>	Possible - R\$21,948 thousand
<b>h. Impact in case the company lose this lawsuit</b>	Payment of the amount involved.

<b>Case No.: 0000756-14.0500.8.26.0090</b>	
<b>a. Court</b>	Court of Appeals of the State of São Paulo
<b>b. Court level</b>	Lower Court
<b>c. Suit brought on</b>	02/27/2019
<b>d. Parties in the lawsuit</b>	Plaintiff: MUNICIPAL GOVERNMENT OF THE CITY OF SÃO PAULO Defendant: TOTVS S/A
<b>e. Amounts, assets, or rights involved (R\$ thousand)</b>	R\$11,052 thousand (updated until December 31, 2020)
<b>f. Key facts</b>	This is a tax execution for collection of ISS on alleged provisions of services made in the City of São Paulo in the period from 1996 to 2001, which the Finance Office argues that was not collected.  Considering that the company filed to submit documents at the time, the Finance Office determined the amount of the collected tax. Motions to stay execution were filed on February 18, 2015, assigned under No. 0000557-86.2015.8.26.0090, arguing statute of limitations of the collection and cancellation of the determination of the amount of tax due. The case records are currently awaiting judicial expert examination for survey of the tax invoices of the time of the service provisions, aiming at analyzing the services that were actually provided inside the territory of the City of São Paulo to evaluate whether the determination is correct.
<b>g. Chance of loss</b>	Possible - R\$11,052 thousand
<b>h. Impact in case the company lose this lawsuit</b>	In case of loss of suit, the adverse party shall make release of the amount already deposited in the case records, in an amount to be ascertained in liquidation of the award.



### Civil Proceedings

The proceedings of a civil nature classified as possible loss concern mainly actions filed by customers on an allegation of certain problems in the services provided to the customers, application of the standard increment, application of grace period to terminated agreements, and undue collections.

<b>Case No.: 1088070-11.2016.8.26.0100</b>	
<b>a. Court</b>	16th Lower Civil Court of Sao Paulo – State of Sao Paulo
<b>b. Court level</b>	Lower Court
<b>c. Suit brought on</b>	09/26/2016
<b>d. Parties in the lawsuit</b>	Plaintiffs: Contax S/A Defendant: TOTVS S/A
<b>e. Amounts, assets, or rights involved (R\$ thousand)</b>	R\$10,719 thousand (updated until December 31, 2020)
<b>f. Key facts</b>	<p>The civil action filed by a customer with alleged problems related to the implemented product, which would have caused material damage and loss of profits. The schedule would not have been met and during the implementation several complaints were made regarding failures in the implementation. In view of the problems, the plaintiff notified the Defendant, requesting the temporary suspension of services. The process is at the appeal stage.</p> <p>The plaintiff alleges breach of contract and failure to provide services in the implementation. He claimed contractual termination and refund of amounts, in addition to damages. The schedule was not complied with and during the implementation several complaints were made regarding failures in the operation. In view of the problems, the plaintiff notified TOTVS, requesting the temporary interruption of services. The expertise performed was favorable to TOTVS.</p> <p>TOTVS conviction in June/2019. In the trial held on 11/23, the Judges totally reformed the sentence to reject Contax's request for refund of the amounts paid to TOTVS and, in relation to the action filed by TOTVS, recognized the credit of 5.4MM indicated in the expert evidence that must be paid by Contax. TOTVS was ordered to pay the fees for the loss of suit of the monitoring action.</p>
<b>g. Chance of loss</b>	Probable - R\$0 thousand Possible - R\$10,719 thousand Remote - R\$0 thousand
<b>h. Impact in case the company lose this lawsuit</b>	Payment of the amount involved.

### Labor Claims

In December 31, 2020 there were no proceedings of a labor nature that the Company deems to be individually relevant, considering the value of R\$10 million for proceedings classified as "possible" loss.



**4.4 - Non-confidential legal, administrative or arbitral proceedings to which the adverse parties are managers, former managers, controlling shareholders, former controlling shareholders or investors**

<b>Case No. 0001278 13.2012.5.01.0018</b>	
<b>a. Court</b>	1st Lower Labor Court of São Paulo
<b>b. Court Level</b>	Appellate Court
<b>c. Filing date</b>	02/01/2013
<b>d. Parties to the case</b>	Plaintiff: F.P.R.F.R Defendant: TOTVS S/A
<b>e. Amounts, property or rights involved (R\$ thousand)</b>	R\$18,832 thousand (adjusted until December 31, 2020)
<b>f. Main facts</b>	Acknowledgement of relationship in the statutory period, with payment of rights arising out of the employment relationship. Awaiting judgment of the plaintiff's appeal.
<b>g. Chance of loss</b>	Possible – R\$0,00 Remote - R\$12,294 thousand
<b>h. Impact in case of loss of suit</b>	In case of total loss of suit, the Company shall disburse the amount to be ascertained upon liquidation of the award.

**4.4.1 - Total provisioned amount of the cases described in item 4.4.**

There is no provision for the cases described in item 4.4.



#### **4.5 – Relevant confidential proceedings**

The Company is not involved in any relevant confidential proceedings.





#### **4.6 - Repetitive or related, relevant non-confidential legal, administrative or arbitral proceedings taken jointly**

The Company does not have any repetitive or related, relevant non-confidential legal, administrative or arbitration proceeding taken jointly.

##### **4.6.1 - Total provisioned amount of the cases described in item 4.6.**

The Company does not have any repetitive or related, relevant non-confidential legal, administrative or arbitration proceeding taken jointly.



#### **4.7 – Other relevant contingencies**

In November 2011, the Company entered into a Conduct Adjustment Instrument, or Consent Decree (TAC) with the Labor Public Prosecutors' Office of the State of Minas Gerais on labor obligations. In the TAC, the Company undertook to refrain from performing any acts that could be deemed to be in violation of the labor law, subject to penalty of imposition of pecuniary fines. The Company has endeavored all efforts to comply with the obligations undertaken in the TAC, which is being monitored by the Labor Public Prosecutors' Office of the State of Minas Gerais.



#### **4.8 - Rules of the origin country and of the country in which the securities are under custody**

Not applicable, given that the Company does not have any securities outside Brazil.



## 5.1 – Risks management policy

**a) Does the issuer have a formal policy of risk management? If so, please indicate the body which approved it and the date of its approval, and, if not, give the reasons why the issuer has not introduced a policy**

The Company has a Risk Management and Internal Controls policy, which was approved by the Board of Directors on June 11, 2019 and published on June 19, 2019.

The Risk Management and Internal Controls Policy is available on the Investor Relations website of TOTVS (<https://ri.totvs.com/en/corporate-governance/by-laws-policies-and-charters/>).

**b) The objectives and strategies of the risk management policy, if any, including:**

The objective of the Risk Management and Internal Controls Policy is to define the principles, guidelines and responsibilities to be observed in managing corporate risks and the internal controls of the Company, so as to properly identify, analyze, assess, deal with, monitor and report corporate risks.

The policy also aims to ensure the following:

**Risk Management Governance and Culture:** The risk management culture must be disseminated at all levels of the Company, and the management and monitoring of risks must be carried out in a decentralized manner by the corresponding areas responsible for their own risks. Managers are primarily responsible for the day-to-day management of risks related to their department or business process and for the dissemination of risk management culture among their team members, managing exposure to risks through action plans defined and monitored by the Board of Directors.

**Identification, analysis, assessment, handling and reporting:** risks must be periodically identified, analyzed, assessed and documented in a structured manner so as to be adequately dealt with and reported to the competent authorities.

The Risk Matrix is subject to annual review by the Internal Controls, Risks, and Compliance area, and then it is approved by Vice Presidents and Chairman, Audit Committee, and Board of Directors. A reassessment thereof takes place in the last quarter of each year and a new matrix is submitted to the Audit Committee and approved by the Board of Directors.

### **i. Risks against which protection is sought**

The main risks to which the Company is exposed are:

**Strategic Risk:** risk events associated with strategic decisions that affect the Company's business strategy or strategic objectives, in both the internal and external environment.

**Operational Risk:** operational risks relate to possible losses resulting from flaws, shortcomings or inadequacies in internal processes, people or the technological environment, or provoked by external events.

**Financial Risks:** exposure to potential financial losses of the Company.

**Regulatory/Compliance Risk:** risks of legal or regulatory sanctions, and of financial or reputational loss that the Company could suffer as a result of failing to comply with laws, agreements, regulations, the Code of Ethics and Conduct, etc.



Information Technology Risks: risks related to the information technology environment (infrastructure, access management, information security) which could affect Company business, such as cyberattacks, leaks or loss of information, non-availability of the IT environment and technological obsolescence.

## **ii. Instruments used for protection:**

The instruments used for protection are:

### **Strategic Risks (Business):**

Strategic risks are mapped by the Internal Controls, Risks and Compliance Department, based on an assessment of the internal and external environments and interviews with the "owner" of each risk, who are jointly responsible for assessing risk factors, impact and probability, and for implementing action plans for the minimization of risk. Improvement actions (action plans) are followed up and monitored by the Internal Controls, Risks and Compliance Area, in addition to the corresponding reports that the Company will submit to the Audit Committee and Board of Directors.

### **Operational, Financial and Information Technology Risks:**

These risks are identified and documented by mapping the processes considered critical by the Internal Controls, Risks and Compliance Department. They are then attributed impact and probability in order to design the improvement actions (action plans) necessary to minimize them, and each area is responsible for implementation. These action plans are supervised and monitored by the Internal Controls, Risks and Compliance Department, in addition to the corresponding reports required to be sent to the Company's competent governance and management structures, such as the Audit Committee and Board of Directors.

### **Financial Risks:**

Regarding the credit risk associated with financial institutions, the Company endeavors efforts to diversify such exposure among financial institutions in the market. Financial investments must be allocated to institutions with a risk rating equal to or below the Sovereign Risk ("Brazil Risk") assigned by the rating agencies Standard & Poor's, Moody's, or Fitch. The amount allocated to each institution cannot exceed 30% of the total amount of current account balances added to those of financial investments, and it cannot either represent over 5% of the financial institution's net equity.

Credit risk related to the provision of services and sale of licenses is minimized by strict control of the client/customer base and active management of delinquency through clear policies regarding sales of services and software licenses. Notwithstanding, it is worth emphasizing the great dispersion of the client/customer base, sectorial diversification, as well as geographical diversification within the Brazilian territory, and also the diversification of the business's revenue sources.

The risk assessment structure of Supplier's credit product portfolio is based on statistical methodologies of Application and Behavior Scoring, besides the use of risk-mitigating instruments, such as credit insurance and intermediation. In addition, the subsidiary Supplier Administradora seeks to prevent possible risks to the credit portfolio by providing follow-up reports, a risk committee, actions to readjust credit limits, portfolio monitoring, and improvements in the registration system. Potential credit losses are mitigated, when necessary, through the following guarantees: insurance, issuer's guarantees, as long as approved by the credit card committee. The efficiency assessment of these instruments is considered sufficient to cover any significant losses. It is worth highlighting that the portfolio turns over quickly with an average term of 60 days, or when they are sold in the short term. Global exposure limits to receivables, considering credit and liquidity risks, are also set forth by the Board of Directors and monitored by the Audit Committee.

In addition, because of the Covid-19 pandemic, the Company is monitoring on a daily basis the behavior and active management of default of its client/customer portfolio through policies on the sale of services and software



licenses, and no relevant impacts are expected in addition to those reflected on the provision for loss as per Note 9 of the Standardized Financial Statements for the fiscal year ended December 31, 2020.

### **Regulatory/Compliance Risk:**

The Company monitors the new regulations applicable to its business, as well as changes in the regulatory framework to which it is subject. After assessing the impact on its business, the required measures to comply with legal requirements are identified then the responsible areas are made responsible for carrying out the appropriate adjustments aiming at full compliance therewith. In addition, with due legal support from the Legal Department, from an anti-corruption point of view, the Company has a Compliance Program capable of preventing, detecting, and remediating illegal acts and/or those that violate the Company's conduct guidelines and approving the Company's methodology of risk management and internal controls that will guide the organization's risk identification work. Moreover, the Internal Controls, Risks and Compliance area has a continuous interaction with the Institutional and Government Relations area aiming at anticipating potential regulatory impacts that may possibly affect the Company's businesses.

### **iii. Organizational structure of risk management:**

**Board of Directors:** decision-making body whose purpose is to monitor the operations of the Company and periodically assess its exposure to risk and the efficacy of the risk management systems, the internal controls and the compliance system according to approved policy, and:

- To define the strategic objectives of the Company which will guide the work of identifying risks in the organization;
- To approve the Risk Management and Internal Controls policy;
- To approve the Company's risk management and internal controls methodology;
- To monitor risk management initiatives in directing Company business;
- To define and validate the review cycles of the risk control system and its efficacy;
- To determine risk tolerance;
- To approve the risk map (strategic and operational) and the key risk factors to which the Company is exposed;
- To validate public information documents on the risk management model and the transparency of information provided to the internal and external public.
- Approve the assumption of High and Critical risks.

**Governance and Nomination Committee:** it is an advisory body of the Board of Directors, which is responsible for:

- Assessing the Risk Management, Internal Controls, and Compliance Policy and submitting a recommendation to the Board of Directors regarding its approval;

**Audit Committee:** it is an advisory body of the Board of Directors, and its duties include:

- Reviewing the Risk Management, Internal Controls, and Compliance Policy and submit recommendations to the Governance and Nomination Committee regarding its approval by the Board of Directors;
- To help management to define guidelines and methods for risk management and internal controls, in addition to metrics for measuring risk tolerance and risk appetite, and submitting recommendations for approval to the Board of Directors
- Reviewing the Risk Matrix and submit its recommendations to the Board of Directors;
- Supervising and periodically monitoring the results of control tests and mitigation action plans, reporting to the Board of Directors any deviations and occurrences considered relevant;
- To assess the risk map (strategic and operational) and the key risk factors to which the Company is exposed, and submitting recommendations to the Board of Directors;



- To supervise and periodically monitor the results of tests of controls and mitigatory action plans, reporting any shortcomings and occurrences it deems material to the Board of Directors;
- To monitor risk management initiatives in the direction of Company business.
- Making recommendations to the Board of Directors regarding the assumption of High and Critical risks.

**Internal Controls, Risk and Compliance Department:** it is subordinated to the Control and Planning Office, which in turn reports to the Vice President for Administration and Finance. Its key duties are:

- Propose changes and submit the Risk Management, Internal Controls and Compliance Policy to the Board of Directors by recommendation of the Audit Committee; structuring, implementing, managing, and disseminating the risk management method;
- Monitoring and reporting action plans for risk management;
- Making managers and other TOTVERS aware of the importance of risk management;
- Reporting Risk Matrix to Senior Management, the Audit Committee, and the Board of Directors.
- Jointly with the areas involved, to identify, assess, deal with, monitor and report strategic and operating risks;

**Internal Audit:** reports to the Audit Committee. Its key responsibilities are:

- To monitor the internal controls environment and the effectiveness of risk management based on the work done by the business areas and the Internal Controls, Risk and Compliance Department;
- Performing control tests and reporting their results to the Audit Committee;
- To check the implementation and efficacy of action plans, timeliness of implementation and effectiveness;
- To issue a formal opinion on the internal controls tested in the annual audit cycle;
- Reporting to the Internal Controls, Risks, and Compliance area all risks and non-compliances found in the auditing work.

**Owners of Risks / Operational Business Areas:** their responsibility, under the policy, is:

- To constantly identify and document the risks they manage;
- To carry out Control Self-Assessment and make the necessary evidence available;
- To inform the Internal Controls, Risk and Compliance Department of any new risks identified and any significative change in their business process;
- Continuously implement improvements in controls and action plans in its processes, aimed at reducing the Company's residual risk.

**c) Adequacy of the operational structure and internal controls to verify the effectiveness of the policy adopted:**

The Company has a structure of Internal Controls whose activities involve mapping processes and assisting in the identification of risks, in addition to the corresponding mitigation controls, monitoring and suggesting improvements to internal controls by the operational areas and, finally, reporting any inconsistency or outdated designs of process flows, rules and procedures whose amendment may aggravate the controls environment. The internal control structure is periodically assessed to check the efficiency of existing internal controls and influences resulting from potential changes in the Company's internal and/or external environment.

The risk management structure continuously monitors the risks and the corresponding risk factors mapped, aiming at monitoring the evolution of risk levels in view of the mitigating measures adopted (action plans) and at ensuring the timely identification of any deviations or movements that might increase the Company's exposure to risks or threaten business continuity. The Internal Controls, Risks and Compliance area periodically submits reports on the status of such actions and the progress of risk ranking to the competent areas responsible for that. Finally, when TOTVS' Strategic Planning is carried out, a whole system review of the risk management process is carried out, aiming at ensuring the appropriate mapping and prioritization of risks according to the Company's strategy.





## 5.2 – Market risks management policy

**a) Does the issuer have a formal policy for market risk management? If so, please indicate the body which approved it and the date, and if not, explain why the issuer has no such policy:**

As mentioned in item 5.1, the Company has a Risk Management and Internal Controls Policy to support the process of identifying, assessing, handling, monitoring and reporting strategic, operating, financial, market, regulatory/compliance and information technology risks.

This policy was reviewed by the Risk Management and Internal Controls Department, approved by the Board of Directors on June 11, 2019, and published on June 19, 2019.

**b) The objectives and strategies of the risk management policy, if any, including:**

### **i. risks for which protection is sought**

The operational result of the Company may be affected by domestic economic changes, mainly regarding the short and long-term interest rates, government policies for the sector, inflation rate and exchange policy, as discussed in item 4.2.

### **ii. hedging strategy**

Historically, the effects of risks presented above (item 5.1-b-i) are mitigated because the Company has a disseminated client base, both in terms of revenue and in terms of the industry sectors in which these clients operate.

**Inflation** - The Company believes that the inflationary impact and the volatility of inflation rates, such as IGP-M and IPCA, on its operating results is mitigated by the annual adjustment of maintenance and subscription contracts and the periodic adjustments in the prices of new licensing fees and the hourly rates of sales service projects. However, as mentioned in item 4.2, this natural protection strategy does not address the residual risk of mismatch between costs and expenses inflation and the inflation rates applied to maintenance and subscription contracts. Based on past experience, the Company believes these inflation indicators tend to converge in the medium/long term.

**Interest Rate** - The Company seeks to monitor net debt by comparing cash generation from operations with total debt, as shown in item 3.7 of this form.

**Exchange rate variation**- At this stage of maturity of its international operations, the Company seeks to scale cost structures and expenses taking into account their respective revenues.

### **iii. hedging instruments**

The Company is not currently using any active hedging instrument, apart from the “natural” hedges mentioned in the previous item (“ii”) that consist of: revenue adjustment based on inflation indexes (protection against inflation); monitoring of the net debt ratio and the cash flow from individual and consolidated operations (protection against interest rate changes); and international operations with revenues and costs essentially incurred in the same currencies (protection against exchange rate variations).

### **iv. parameters used to manage these risks**

The main parameters are the proportion of total revenues represented by recurring revenues, the behavior of recurring revenues, client satisfaction level, the monitoring of net debt indicators (item 3.7), the debt maturity



schedule (item 3.8) and the net equity denominated in foreign currency in relation to the total shareholders' equity of the Company.

**v. Does the issuer use financial instruments other than for hedging purposes? If so, please list these other purposes**

In the period covered by this Reference Form, the Company did not conduct operations of this nature.

**vi. organizational structure for risk management control**

The Internal Controls, Risks, and Compliance Area reports to the Financial Planning and Comptroller Board, which on its turn reports to the Administrative and Finance Vice-President's Office. It is responsible for finding, analyzing, assessing, treating, monitoring, and reporting risks to the Audit Committee and Board of Directors.

**c) Adequacy of the operational structure and internal controls to verify the effectiveness of the policy adopted:**

The Company has an Internal Controls structure, whose activities involve mapping processes and helping to identify risks (operational and financial risks, for example) and the controls that mitigate such risks, besides monitoring and suggesting improvements for internal controls by the operational areas, Item 5.1 - C.



### 5.3 – Description of Internal Controls

#### **a) Main practices of internal controls and the level of efficiency of such controls, indicating any imperfections and the measures adopted to correct them.**

The Company, in line with the best market practices for managing internal controls, has an Internal Controls, Risk and Compliance Department, whose main purpose is to lead and establish guidelines for the works related to internal controls and ensure the functioning of the controls environment, seeking to mitigate risks according to the complexity of the TOTVS business and ensure the best governance and market practices, in compliance with laws and regulations.

The process defined also aims to provide reasonable confidence for asset protection, accuracy and reliability of financial reporting, operational efficiency and compliance policies, standards and procedures.

#### **Definition of scope and performance:**

The internal controls contribute to the mitigation of risks, providing a more secure and effective environment in terms of operating efficiency and the integrity of records and information, taking the following key aspects into account:

- (i) the strategic goals of the Company;
- (ii) composition and nature of the financial accounts;
- (iii) the possibility of losses resulting from errors and fraud; and
- (iv) complexity in the transactions of the financial accounts.

To achieve its objectives, the management of internal controls is based on an integrated model of three Lines of Defense, namely:

- **First Line of Defense:** This consists of the Business Areas, which are responsible for identifying and reporting the risks of their operations and for ensuring that their business objectives are met, and that the internal controls structure functions properly;
- **Second Line of Defense:** Represented by the Internal Controls, Risk and Compliance Office, it uses the supporting documents produced by the first Line of Defense to help review the controls environment. It acts in an advisory capacity, supporting the business areas in designing and implementing procedures and controls;
- **Third Line of Defense:** Internal Audit, responsible for an independent analysis and assessment of the internal controls environment based on the work done by the first and second lines of defense. It can do additional work when the need arises.

Subsequently, the mappings and updates of all processes, the risk matrix and the controls and tests for the design of controls (called "*walkthroughs*") are carried out aiming at confirming that all mapped processes are understood, as well as whether the controls are implemented and operating properly.

If controls do not exist or are considered unsatisfactory for mitigating the risks identified in the business processes, a report is sent to the areas responsible for them to draft action plans (whether for creating a new control or improving an existing one).

Once these stages are completed, the people responsible for the processes must complete an annual Control Self-Assessment, providing evidence of the execution of the controls in the system used by TOTVS and listing any new risks they have identified in their processes or activities.

The processes and controls mapped by the Internal Controls, Risk and Compliance Office are a fundamental tool for Internal Audit's planning. Based on this mapping, Internal Audit defines the com and the tests of efficacy to



be undertaken (called "Control Tests"), to evaluate the proper application and operating efficiency of the controls in preventing or detecting material misstatements.

The Company Audit Committee is responsible for supervising and periodically monitoring the results of the tests and the action plans drawn up by those in charge of the processes.

#### **b) Organizational structures involved:**

**Board of Directors:** decision-making body whose purpose is to monitor the operations of the Company and periodically assess its exposure to risk and the efficacy of the risk management systems, the internal controls and the compliance system according to the approved policy, and:

- Determining the Company's strategic goals and the methodology that will guide the Company's Internal Control work;
- Validating documentation of public information about the model of risk management and transparency of information provided to the internal and external public;
- Ensuring the existence of suitable resources to ensure the effective enforcement of the Compliance Program and guarantee the autonomy of the Internal Controls, Risks, and Compliance area;
- Monitoring risk management and internal controls actions according to the Company's business activities;
- Determining and validating the review cycles of the internal control system and the effectiveness thereof;

**Audit Committee:** it is an advisory body of the Board of Directors, and its duties include:

- Reviewing this Policy and submitting recommendations to the Governance and Nomination Committee regarding its approval by the Board of Directors;
- Helping management to define guidelines and methods for risk management and internal controls, in addition to metrics for measuring risk tolerance and risk appetite, and submitting recommendations to the Board of Directors for approval;
- Supervising and periodically monitoring the results of control tests and mitigation action plans, reporting to the Board of Directors any deviations and occurrences considered relevant; and
- Periodically supervising and monitoring the results of tests of controls arising from the Control Self-Assessment, reporting to the Board of Directors any deviations and events considered relevant;

The other technical committees advising the Board of Directors, in turn, are responsible for monitoring and making recommendations on the acceptance of responses to risk, helping Management define guidelines for risk management and metrics for measuring risk tolerance and risk appetite, monitoring the implementation of mitigatory action plans and reporting their conclusions to the Board of Directors.

**Internal Controls, Risk and Compliance Department:** it is subordinated to the Control and Financial Planning Office, which in turn reports to the Administrative and Financial Vice-President. Its key responsibilities connected to Internal Controls are the following:

- Proposing changes and submitting this Policy for approval;
- Structuring, implementing, managing, and disseminating the methodology of risk management and internal controls, and also the Compliance Program;
- Monitoring and recommending improvements in internal controls by operational areas, mapping processes and helping identify risks (operational and financial risks, for example), and developing the corresponding controls to mitigate such risks;
- Monitoring actions to implement internal controls for risk management;
- Making managers and other TOTVERS aware of the importance of the internal control environment;
- Acting in an independent and autonomous way to guarantee impartiality in all its activities, and reporting to the Audit Committee in case something may interfere with its independence;



- Sharing with Internal Auditors information and/or facts subject to internal investigation; and
- To discuss the recommendations made by risk owners to minimize Company risk in line with defined strategy and objectives;
- To monitor the implementation of internal controls for risk management;
- To monitor and periodically report on the progress of action plans;
- To map processes and help identify risks (operating and financial risks, for example), as well as the controls mitigating such risks;

**Internal Audit:** reports to the Audit Committee. Its key responsibilities are:

- Monitoring the internal control environment and assessing the effectiveness of risk management;
- Performing control tests and reporting their results to the Audit Committee;
- Checking the implementation of action plans, as well as the timeliness of implementation and its effectiveness;
- Issuing a formal opinion on the internal controls tested in the annual audit cycle;
- Acting in an independent and autonomous way to guarantee impartiality in all its activities, and reporting to the Audit Committee in case something may interfere with its independence; and
- Reporting to the area of Internal Controls, Risks, and Compliance all risks and non-compliances found in the auditing work;
- To monitor the internal controls environment and the effectiveness of risk management based on the work done by the business areas and the Internal Controls, Risk and Compliance Office;
- To test the controls according to the audit plan and report the results to the Audit Committee;
- To check the implementation and efficacy of action plans;
- To issue a formal opinion on the internal controls tested in the annual audit cycle.

**Risk Owners/Operational Business Areas: their responsibility, under the policy, is:**

- To constantly identify and document the risks they manage;
- Carrying out an annual Control Self-Assessment and providing the required evidence;
- Reporting to the area of Internal Controls, Risks, and Compliance any new risks identified and any changes in its business process; and
- Implementing controls and action plans in its processes, ensuring that they are effective and result in a reduction in the degree of exposure to risks to acceptable levels.
- To inform the Internal Controls, Risk and Compliance Office of any new risks identified and any change in their business process;
- To introduce adequate controls for managing risks;
- To carry out the action plans under their responsibility;

**c) Whether and how the efficiency of internal controls is supervised by management, indicating the position of the people responsible for this supervision.**

Once the processes have been mapped, risks identified and walkthroughs completed, the business areas must undertake a Control Self-Assessment, and provide evidence of the execution of the controls in the system used by TOTVS. They must highlight any new risks identified in their processes or activities.

Based on such mapping and on the Self-Assessment performed and documented by the process owner, the Internal Audit sets the strategy and the effectiveness tests that will be performed (called "Control Tests") aiming at assessing the accurate application and operative efficiency of such controls in preventing or detecting relevant discrepancies.

The entire process and results of mapping and review of controls is carried out by the Internal Controls, Risks and Compliance management, with a review being performed by the Planning, Comptroller, Internal Controls, Risks,



and Compliance Department and the Financial Vice-President's office. The results are reported to the Company's Audit Committee, which periodically monitors the efficiency of internal controls, the action plans developed and their implementation.

**d) Shortcomings and recommendations about internal controls contained in the detailed report drafted by the independent auditor and submitted to the issuer, in accordance with the CVM regulations dealing with the registration and exercise of the activity of independent auditor.**

The report issued by the Independent Auditors connected to the Company's Financial Statements for the fiscal year ended on December 31, 2020 pointed out significant deficiencies in controls regarding Access Management (ITGC Controls), in which weaknesses were found in the processes of granting, revocation, transference and maintenance, and periodic review of access by third-party associates. In addition, a weakness was pointed out in the review and validation process of active access profiles. The Independent Auditors recommended reviewing third-party access management controls and reviewing access profiles, which should be performed at least twice a year.

Among the significant deficiencies pointed out by the Independent Auditors, there is also the need to implement internal controls for unusual transactions (such as business combinations) and weaknesses in the process of supporting the assumptions made in the impairment test and disclosures required in the explanatory note. For such weaknesses, the Independent Auditors recommended the implementation/review of controls that support unusual transactions, as well as the review of assumptions made in the impairment test.

It should be noted that the result of additional procedures undertaken by the external auditors was that the failings identified did not lead to the accounts being qualified in their final opinion, and did not affect the Company's results.

**e) Management's comments on shortcomings noted in the independent auditor's detailed report and on the corrective measures adopted.**

The main actions aimed at mitigating the weaknesses found by the Independent Auditors are (i) the increase in the frequency of third-party user revalidations, which will go from one to four times a year; (ii) review of access profiles for all users, which will change from once to twice a year; and (iii) the creation of a database to simplify the query process for third-party data. It is also worth emphasizing the implementation of access risk analysis and the creation of controls after the review process.

As for the weaknesses pointed out in the process of unusual transactions and impairment, the Management will make efforts to improve the currently-existing controls, fully mitigating the aforementioned points.

It is worth highlighting that the other recommendations made by the Independent Auditors that are not considered significant have already been completed or have been sent to those responsible for the corresponding areas and have a deadline already set to be implemented in 2021.





## 5.4 – Integrity Program

**a) If the issuer has adopted integrity rules, policies, procedures or practices to prevent, detect and remedy frauds and wrongful acts committed against the government, please indicate:**

**i. the main integrity mechanisms and procedures adopted and their adequacy for the profile and risks identified by the issuer, informing how frequently risks are reassessed and policies, procedures and practices adjusted**

TOTVS has a Compliance Program through which it sets forth and adopts mechanisms and procedures aiming to prevent, detect and adequately deal with acts of corruption, fraud and wrongful conduct of any nature against the Brazilian or foreign public administration, or in the private sector, in all the countries where the Company has operations.

Such Integrity Program is structured in 5 (five) interrelated hallmarks:

**Culture of Compliance:** its purpose is to strengthen and disseminate, at all hierarchical levels, a culture that complies with the Company's standards of ethics and compliance, through the constant engagement and support of TOTVS'S Senior Management and key leaders.

**Risk Assessment:** aims at identifying and assessing the key anti-corruption/ compliance risks to which the Company is exposed, measuring its impacts and recommending mitigation measures, especially in processes considered sensitive, with respect to compliance with the applicable anti-corruption legislation and the Company's conduct guidelines set forth in the Code of Ethics and Conduct and other Integrity Program Standards.

**Code of Ethics and Conduct, Policies, and Procedures:** it has as purpose to set forth and formalize all internal guidelines, rules and procedures that must be observed by TOTVERS and Third Parties within the scope of the Integrity Program. The Code of Ethics and Conduct, the Policies, Standards and Procedures that make up the Integrity Program make up the reference base for the compliance mechanisms and controls to be implemented and/or optimized.

**Communication and Training:** it aims at raising awareness of TOTVERS and making easier their understanding of the guidelines, rules and responsibilities to be fulfilled within the TOTVS Integrity Program by means of general and specific communication and training actions on ethics and conduct guidelines of the Company.

**Detection and Remediation:** it has as purpose to find irregular or illegal conducts, fraud of any kind or any other non-compliance with the applicable legislation and regulations and the Company's Standards, as well as to guarantee that the unethical conduct found is discontinued and the suitable disciplinary measures are applied, using as the main tool an independent Channel made available to internal and external audiences for receiving and handling whistle-blowing and complaints.

The Integrity Program is reassessed every year to ensure its effectiveness. The controls are also reviewed annually, and updates can take place at any time due to changes in rules, processes, and the risk scenario. The Corporate Policies are subject to mandatory review every 3 (three) years, without prejudice to any other changes that might be required over the period. Specifically regarding the risk management and methodology applied by the Company, please see chapter 5, section 5.1.

### **Integrity Program Mechanisms and Procedures**

**Code of Ethics and Conduct:** its aim is to set forth rules of conduct and ethical principles that guide TOTVS's commitment to integrity in its business and its internal and external relationships. It applies to all board directors,





managers, controlling shareholders, staff, services providers, suppliers and partners. The Code was updated on August 3, 2020.

**Policy on Risk Management, Internal Controls, and Compliance:** its purpose is to set forth the principles, guidelines, and responsibilities that must be complied with in the processes of corporate risk management, internal controls, and compliance, as well as to disseminate the Risk Management culture and the Compliance Program throughout all levels of TOTVS Group. The policy was updated on November 9, 2020.

**Policy on Business and Institutional Relationship with Public Entities (Anti-Corruption):** aims at setting forth conduct guidelines and standards to be observed in the relationship between TOTVS and public agents and ensure that TOTVS' associates conduct comply with the legislation currently in force, the corporate policies, and TOTVS' Code of Ethics and Conduct. Such policy was updated on October 14, 2020.

**Policy for Contributions, Donations and Sponsorship:** the purpose of the document is to set guidelines and rules for contributions, donations, as well as business and institutional sponsorships by the TOTVS Group. The policy was updated on December 15, 2020.

**Due Diligence of Compliance of Third Parties:** it refers to processes and procedures aimed at identifying and assessing compliance risks, especially with regard to the anti-corruption subject, in TOTVS'S relationship with suppliers, business partners, associations, charities, and other third parties of any nature, in order to ensure that no business is carried out with third parties involved in any illegal or irregular practices in light of anti-corruption legislation currently in force and the ethical principles and standards reflected in the Code of Ethics and Conduct and other internal Policies and Standards of the Company.

**Records of Commercial and Institutional Dealings with Public Entities:** procedures to record in-person or online dealing of a commercial or institutional nature with public entities, to ensure compliance with the guidelines defined in the Policy for Commercial and Institutional Relations with Public Entities. The Company has an electronic tool that allows employees to carry out a complete record of all interactions with public agents, aiming at transparency in relations with the Public Sector.

**Integration Training:** introduction to the TOTVS Code of Ethics and Conduct performed in the process of integrating new associates. It presents the Company's key conduct guidelines and standards, as well as provides guidance on the Ethics and Conduct Channel.

**Training in the Code of Ethics and Conduct:** staff take online courses in the Code of Ethics and Conduct, mandatory for all units, both owned and franchised, covering all subjects present in the document. The content is presented through explanatory videos, animations, and its understanding is complemented with questions that must be answered in light of the Code's principles and rules. Employees whose activities do not require the use of computers are trained either in person or virtually. 88% of TOTVERS received this training.

**Training on Relationship with Public Agents:** mandatory e-learning training for the areas having any relationship with public entities, aiming at training the target audience as to the practices and procedures to be observed in this type of interaction, considering compliance with applicable legislation and the requirements of the Code of Ethics and Conduct and the Policy on Business and Institutional Relationship with Public Entities. In addition, face-to-face training is provided, either internally or through specialized consultants, to reinforce anti-corruption guidelines.

**Thematic Training:** specific training for areas most exposed to certain Compliance risks, such as Purchasing, Business with the Public Sector, and Institutional and Governmental Relations or any other areas ranked as higher risk exposure.



**Anti-Corruption Training:** virtual anti-corruption training covering specific forms of corruption and the risks of illegal practices aimed at all members of the Board of Directors and the Board of Executive Officers, aimed at the continuous awareness-raising of the Company's senior management on this subject.

**Anticorruption Clause and compliance with the Code of Ethics and Conduct:** contracts with suppliers and customers must include a clause providing for compliance with the anticorruption legislation and the Company's Code of Ethics and Conduct.

**Integrity Undertaking and Declaration of Responsibility, Compliance and Social and Legal Commitment:** documents for the use in all TOTVS franchises, whereby the franchisee undertakes to comply with the provisions of Law No. 12.846/2013 (the Anticorruption Law) and with the TOTVS Code of Ethics and Conduct, as well as with the principles of the UN Global Compact.

**Auditing of the Program:** The Integrity Program is subject to periodic auditing, both internal and external, with the purpose of verifying compliance with the schedule set forth for the current year and to identify any shortcomings and opportunities for improvement. The result of the audit is reported to the Audit Committee and the corresponding action plans are supervised and monitored by Management.

**ii. the corporate structures involved in the monitoring of the operation and efficiency of internal integrity mechanisms and procedures, indicating their duties, whether their creation was formally approved, the issuer's bodies to which they report and the mechanisms that ensure independence of their leaders, if any.**

Within the scope of the Integrity Program, the key responsibilities of the governance structures and bodies involved are listed below:

#### **Board of Directors**

- Approving the TOTVS Integrity Program;
- Setting the strategic goals and approving the method of risk management and internal controls, as well as the Compliance Program;
- Approving the periodic reviews of the Compliance Policy, the Code of Ethics and Conduct, and the Internal Regulation of the Ethics and Conduct Committee;
- Monitoring the actions of the Integrity Program and reinforcing with the Senior Management the commitment to its fulfillment;
- Ensuring the existence of appropriate resources for the effective operation of the Integrity Program;
- Guaranteeing independence and ensuring provision of training, structure, and autonomy of the Internal Controls, Risks and Compliance area; and
- Receiving and resolving on the Audit Committee's recommendations regarding the results of the Integrity Program.

#### **Governance and Nomination Committee**

- Assessing the Risk Management, Internal Controls, and Compliance Policy and submitting a recommendation to the Board of Directors regarding its approval;
- Assessing and resolving certain cases involving conflicts of interest, as provided for in the Company's Code of Ethics and Conduct



## **Audit Committee**

- Discussing and recommending the required changes or adjustments within the scope of the revisions to the Risk Management, Internal Controls, and Compliance Policy, the Code of Ethics and Conduct, and the Charter of the Ethics and Conduct Committee;
- Discussing and approving the annual Compliance schedule;
- Assessing and monitoring the audit action plans of the Integrity Program;
- Assessing the results of the Compliance Program and submitting its recommendations to the Board of Directors; and
- Periodically report to the Board of Directors critical cases of misconduct connected to the Risk Management, Internal Controls, and Compliance Policy, as well as any disciplinary measures adopted.

## **Ethics and Conduct Committee**

- Ensuring protection to, clarification of, dissemination of, and compliance with the Code of Ethics and Conduct;
- Issuing an opinion on the merits and seriousness of the whistle-blowing complaints reporting violation of the Code of Ethics and Conduct and other guidelines and rules of conduct of the Company, by means of a formal procedure, and refer the matter to the immediate responsible parties so that the previously set disciplinary measures are applied;
- Monitoring how disciplinary measures are applied;
- Monitoring the institutionalization and dissemination of the Code of Ethics and Conduct; and
- Interpreting the Code of Ethics and Conduct in case of any questions to be clarified.

## **CEO, Vice Presidents and Boards of Executive Officers**

- Conducting business practices that comply with all applicable laws and regulations and the Internal Regulatory Framework;
- Supporting the implementation of the Integrity Program hallmarks; and
- Ensuring that the Company's conduct guidelines are disseminated and understood by partners, franchisees, channels, Third Parties, clients, and customers.

## **Internal Controls, Risks and Compliance Area - reporting to the Planning and Comptroller Board, which on its turn reports to the Administrative and Finance Vice-President**

- Preparing, submitting for approval, and publishing the Compliance Policy, as well as disseminating its guidelines within the Company;
- Structuring, implementing, managing, and disseminating the Integrity Program;
- Raising awareness of managers and other TOTVERS on the importance of the Compliance Program;
- Coordinating the periodic review of the contents of the Code of Ethics and Conduct;
- Managing the Ethics and Conduct Channel, as well as reporting all applicable cases to the Ethics and Conduct Committee;
- Acting in an independent and autonomous way to guarantee impartiality in all its activities, and reporting to the Audit Committee in case something may interfere with its independence;
- Sharing with the Internal Auditors all information received, either internally or by any other means, about facts connected to the Compliance Policy subject to internal investigation; and
- Providing transparency of and reporting the Integrity Program results to the Senior Management, the Audit Committee, and the Board of Directors.

The Internal Controls, Risks and Compliance Area, within the scope of its duties and as set forth in the Corporate Compliance Policy, has independence to act and access to the information and documents required to perform the activities provided for in the Company's Integrity Program.



## **Human Relations**

- Promoting and ensuring that the principles of the Integrity Program are disseminated within the organizational culture of TOTVS.

## **Legal Board**

- Providing the Company with guidance on the standards and rules issued by the regulatory agencies and to the changes on legislation, either at federal, state, or municipal levels;
- Reporting to the Senior Management and the Board of Directors any event that constitutes an administrative, civil, or criminal offense;
- Following up case law and trends on all subjects connected to this Policy, disseminating the information found when appropriate.
- Supporting the Internal Controls, Risks and Compliance area to interpret the anti-corruption laws applicable in the countries where TOTVS operates.

## **Internal Audit**

- Conducting investigations and inquiries on whistle-blowing and complaints filed on the Ethics and Conduct Channel or received by any other means;
- Acting in an independent and autonomous way to guarantee impartiality in all its activities, and reporting to the Audit Committee in case something may interfere with its independence;
- Reporting to the Compliance area any risks and non-compliance events connected to the Integrity Program found in tests of controls, or material tests, or other Audit routines; and
- Auditing the Compliance Program and monitoring the implementation of action plans related to identified gaps.

## **Other areas**

All TOTVERS, regardless of their position, have the following responsibilities:

- Complying with the Internal Regulation Framework, including the Code of Ethics and Conduct, and all applicable legislation and regulations;
- Reporting through the Ethics and Conduct Channel any violation or suspected violation of applicable laws or regulations, or any non-compliance with the Internal Regulation Framework;
- Taking part in every training considered mandatory; and
- Submitting all information of which they may become aware, and making available all the Company's documents which they are in possession of, whenever requested (i) by the Internal Auditors, (ii) by the Internal Controls, Risks and Compliance area, or (iii) by the Ethics and Conduct Committee, within the scope of an internal investigation.

### **iii. if the issuer has any code of ethics or of conduct formally approved, indicating:**

**if it applies to all executive officers, fiscal councilors, directors and employees and whether it also applies to third parties, such as suppliers, service providers, intermediaries and associates**

TOTVS has a Code of Ethics and Conduct filed with the CVM since 2012. The Code of Ethics and Conduct, the current version of which was approved by the Board of Directors in December 2019, is applicable to all directors, management members and executive officers, shareholders who take part in the control of the Company, associates, service providers, suppliers and partners.



**if and how often executive officers, fiscal councilors, directors and employees are trained on the code of ethics or conduct and on other standards related to this matter**

For knowledge and suitable training, an e-learning training on the Code of Ethics and Conduct is available every year to all associates, who are required to take part in it and who will be subsequently tested for knowledge assessment and awarded the corresponding certificate. Employees whose activities do not require the use of computers are trained either in person or through distance learning.

**applicable sanctions in the event of violation of the code or of other standards on the issue, identifying the document where such sanctions are envisaged**

The Company has an Ethics and Conduct Committee responsible for receiving all complaints and concluding, through a formal procedure, whether there was a violation of the Code of Ethics and Conduct and, if applicable, determining what measures will be applied to the offender in compliance with the standards and criteria set forth in the Company's Standards of Disciplinary Management,, which may be of a disciplinary nature, such as the application of a warning, and even termination for cause, in addition to the due legal measures, whenever applicable.

**body that approved the code, date of approval and, if the issuer publishes the code of conduct, websites where the document is available for consultation**

The current version of the Code of Ethics and Conduct was approved by the Board of Directors on December 18, 2019. It is available for consultation on the Company's Investor Relations website (<https://ri.totvs.com/en/corporate-governance/by-laws-policies-and-charters/>), and on the webpage of its ethics and conduct channel (<https://www.canalconfidencial.com.br/totvs/>).

**b) If the issuer has any complaints hotline, indicating, if so:**

- **if the complaints hotline is internal or is managed by third parties**

The Company has an Ethics and Conduct Channel managed by an outsourced company.

- **if the hotline is open to receive complaints from third parties or if it receives complaints from employees only**

The Ethics and Conduct Channel is designed to receive complaints from employees and third parties such as suppliers, service providers and business partners.

- **if there are mechanisms to ensure anonymity and protect whistleblowers in good faith**

The Ethics and Conduct Channel enables complaints to be reported anonymously and ensures confidentiality of the information and anonymity of the person. TOTVS does not admit retaliation, and guarantees that whistleblowers will not be harmed for reporting any suspected misconduct.

- **issuer's area responsible for investigating complaints**

The Internal Audit unit of the Company is responsible for analyzing and investigating the complaints received. The Internal Controls, Risks, and Compliance area is responsible for managing the Ethics and Conduct Channel, as well as reporting the applicable cases to the Ethics and Conduct Commission, which establishes the appropriate measures to be taken.

**c) If the issuer takes steps in the even of a merger, acquisition or corporate restructuring to identify vulnerabilities and risks posed by improper practices of the legal entities involved.**

The Company adopts Due Diligence procedures for companies undergoing mergers, acquisitions, and corporate restructuring processes. Such due diligence process is carried out through independent external audits having as



purpose to assess and understand the compliance environment and find potential risks of corruption and fraud, and of reputational analysis of the organizations involved. The results are submitted to be assessed so that action plans are proposed, and such action plans must be added to the acquisition planning of the involved companies.

**d) If the issuer does not have rules, policies, procedures or practices to prevent, detect and remedy frauds and wrongful acts committed against the government, identify the reasons why the issuer does not have any controls in this regard.**

Not applicable, since the Company does have rules, policies, procedures and practices to prevent, detect and remedy frauds and wrongful acts committed against the government.



## **5.5 – Significant changes**

In the previous fiscal year there were no significant changes in the risks which the Company is exposed to. The Risk Management, Internal Controls, and Compliance Policy was revised and approved by the Board of Directors on November 9, 2020. In this version, the "Risk Management and Internal Controls" Policy was consolidated with the "Corporate Compliance" Policy, reflecting the entire methodology adopted by the Risk Management and Internal Controls areas, as well as the Compliance Program and guidelines of its pillars.

The risks identified and monitored by TOTVS can be identified in subparagraph "a" of section 4.1 - Risk Factors, ranked by their order of criticality and those that may influence any type of decision by investors.





## 5.6 – Other material information – Risk management and internal controls

The Company did not identify any other material information related to the items of Risk Management and Internal Controls.



**6.1 / 6.2 / 6.4 - Incorporation, duration and date of registration of the Company with the CVM**

<b>Issuer's incorporation date</b>	12/13/1983
<b>Issuer's legal form</b>	Public Company
<b>Country of incorporation</b>	Brazil
<b>Duration</b>	Indefinite
<b>CVM Registration date</b>	03/07/2006



### **6.3 – Brief History**

TOTVS was originally a services bureau, created in 1969 by Mr. Ernesto Mário Haberkorn, called SIGA - Sistemas Integrados de Gerência Automática Ltda. The bureau provided general services in the computers area and developed a system that allowed for centralized corporate management, with the main purpose of automating administrative processes. In 1983, with the appearance of microcomputers, the Company was founded, under the legal name of Microsiga Software S.A. ("Microsiga"), by the partners Ernesto Mário Haberkorn and Laércio Cosentino, the former CEO of TOTVS. The Company's business purpose was to develop software for these personal computers and, later, it started to operate in the integrated corporate management software market, catering to medium and small size companies.

In the 1990's, strategic decisions were taken to structure TOTVS for sustained growth, with the creation of the environment necessary for the market leadership that the Company would achieve at the end of the decade.

Some decisions and events that deserve highlighting are:

1990: opening of the first franchise;

1997: opening of the first unit abroad, Microsiga Argentina;

2003: acquisition of assets of Sipros, a company in Mexico, and opening of Microsiga Mexico;

2005: acquisition of Logocenter S.A. ("Logocenter"); repurchase of the Company's participation; admission of BNDES Participações S.A. – BNDESPAR as partner of the Company;

2006: IPO on the São Paulo Stock Exchange (BM&FBOVESPA), in the Novo Mercado (highest level of Corporate Governance); acquisition of RM Sistemas S.A. ("RM"), and commencement of the Company's corporate consulting activities;

2008: merger of Datasul SA ("Datasul").

2009: amendment to the Company's corporate purpose to include the activity of "franchising concession", according to the Extraordinary Shareholders' Meeting of 04/16/2009; creation of "Full TOTVS" franchises involving the TOTVS and Datasul franchises;

2013: acquisition of PC Sistemas S.A., PRX Soluções em Gestão Agroindustrial Ltda. ("PRX"), RMS Software S.A., Seventeen Tecnologia da Informação em Informática Ltda. ("Seventeen") and Neolog Consultoria e Sistemas S.A. ("Neolog").

2014: acquisition of Virtual Age Soluções em Tecnologia Ltda. ("Virtual Age").

2015: acquisition of Bematech S.A. ("Bematech") and merger of P2RX Soluções em Software S.A. ("P2RX").

2016: sale of 100% of our interest in TOTVS Resultados em Outsourcing Ltda. ("TOTVS RO"), a Human Resources BPO (Business Process Outsourcing) company to Propay S.A. Acquisition of a minority interest in the Russian company National Computer Corporation (NCC) by TOTVS México and TOTVS S.A.

2017: Launch of the artificial intelligence platform (Carol) and iDEXO, an institute whose mission is to connect startups, entrepreneurs and developers in order to create new business solutions.



2018: consolidation of the Company's succession plan and announcement of the arrival of Dennis Herszkowicz to replace the founder of the Company, Laércio Cosentino, who in turn was elected Chairman of the board of directors.

2019: Review of the Company's long-term strategic plan that had as a consequence the sale of its Hardware operations that had been acquired from Bematech in 2015, to focus the attention of its teams and resources on Software operations. Also during 2019, the Company made a subsequent offer of shares raising a total of R\$ 1,066.5 billion with the issue of 27 million new shares at the price of R\$ 39.50/share, to be entirely allocated to mergers and acquisitions. During 2019 the Company acquired the corporations Supplier S.A. ("Supplier" - an operation to be completed over fiscal year 2020) and Consinco S.A. ("Consinco"). Partnerships were also closed with Rede company dedicated to means of payment, VTEX in the ecommerce industry, and Moddo that will develop an Order Management System (OMS) software. During 2019 the Company also launched its new Techfin business platform aiming at expanding, simplifying and making access to financial services cheaper for its clients and customers.

2020: Improvements were made in the clients' and customers' value chain through the construction of a B2B technology ecosystem, which, besides the Management dimension, consolidated the offering of Techfin services upon completion of the acquisition of Supplier Participações S.A., and started the Business Performance journey with the acquisition of Tail Target, an SaaS company specializing in omnichannel data intelligence. TOTVS's shares became part of the IBrX 50 portfolio, B3's index formed by the 50 most tradable shares in the Brazilian stock market, and, in the same vein, the Company's shares entered the mid-cap category of the indicators known as MSCI Brazil, MSCI Latin America, and MSCI Emerging Markets. The Company also published its Sustainability Policy as part of the development of the ESG Agenda (Environmental, Social, and Governance), which reflects the purpose and vision of the TOTVS Group, for which sustainability is an important value proposition for its businesses.



## **6.5 – Information about filing for bankruptcy based on a material amount or filing for judicial or extrajudicial reorganization**

There has been no filing for bankruptcy or for judicial or extrajudicial reorganization.



## 6.6 – Other material information

The Company did not identify any other material information related to this item.



## **7.1 – Description of the main activities of the company and its subsidiaries**

### **Overview**

We are the leading enterprise resource planning (“ERP”) software company in Brazil, according to the survey entitled “Software Market Share Enterprise Application 2020” issued by Gartner, with over 50 percent market share. In Latin America, we have a 30-percent share in the ERP market according to that same survey, and we are one of the top-three players in the region. We have been engaged for more than 36 years in the business of providing companies of all sizes with business solutions, management software, technology platforms and consulting services.

The Company was Latin America’s first IT company to go public, back in 2006, and listed in the Novo Mercado (“New Market”) segment of B3 S.A. - Brasil, Bolsa, Balcão (“B3”) under ticker ‘TOTS3’. Since our IPO, our net revenues have increased ten-fold, and they have historically been sustained by organic growth and strategic acquisitions. Additionally, our inclusion in the Ibovespa index early this year made TOTVS the first technology company to figure in Brazil’s most important stock market index. This achievement reflects TOTVS’ leadership and the recognition of the moment that we are going through, thanks to our strategy, operational execution and corporate governance.

With an installed client base in excess of 30,000 clients, TOTVS operates primarily in Brazil, but has a presence in 41 countries, with net revenues of more than R\$2 billion for 2019 and approximately 7 thousand employees. In Brazil we have 15 branches, 52 franchised territories and 10 development centers. Abroad we have five branches, in Argentina, Colombia, the United States of America, Mexico and Portugal, and two development centers, in the US and Mexico.

The Company’s motto is to “simplify the business world”, and we develop, sell and implement technological tools and platforms with specialized solutions for the core business of our clients in 12 business segments, namely, agribusiness, building and construction, distribution, education, financial services, travel and hospitality, legal, logistics, manufacturing, health care, services, and retail. In this context, we provide integrated enterprise management software, productivity and collaboration, data, intelligence and performance platforms (or smart, collaborative platforms), and value-added services, such as implementation and advisory.

Accordingly, one of our main edges is our development of applied technology based on platforms and creation of segment-based solutions integrated into a distribution model based on owned and franchised units in Brazil and abroad, which enables us to have a presence, proximity and quick and effective services to our clients.

As part of our strategy to expand, strengthen and add value to our clients and customers and leverage the growth of our results, in 2019 we started implementing new TOTVS guidelines and strategic hallmarks.

Some of such hallmarks were: (i) divestment of hardware operations, focusing again exclusively on software; (ii) organic creation of our TECHFIN (technology for financial services) team, the main purpose of which is to simplify, expand, and make cheaper our customers’ access to credit and other financial services; (iii) finding opportunities to develop performance solutions to integrate our clients’ value chain, optimizing their sales and profits; and (iv) the revision of the M&A strategy, including reinforcement and redesign of the area. As a result, we carried out in May a subsequent offer of shares that raised the amount of R\$ 1.067 billion to be allotted to new investments in the horizon of the next 2 to 3 years, of which we have already committed approximately 60% with the acquisitions of the companies known as Supplier, Consinco, and Wealth Systems aimed at expanding into new markets and strengthening our core business.

In 2020, we continued the strategy of building an ecosystem of solutions that encompasses 3 dimensions: (i) Management - with our portfolio of open, connected, and customizable solutions and platforms of ERP, HR, and Vertical ones; (ii) Techfin - expanding, simplifying, and making cheaper the access to credit and other financial





services; and (iii) *Business Performance* - building a portfolio that helps our clients and customers to sell more and better. Artificial intelligence, machine learning, and cloud are tools to enable such strategy of opening new markets and enhancing the value chain of our clients and customers.

Our greatest challenge in 2021 will be to keep up with the pace of change and transformation. We held our kick-off event and our sales convention at the end of January, and the keyword that permeated all discussions was SPEED. Exponentializing, digitizing, and cloudifying were also fundamental words that show the path we are following. We are working to maintain and expand the relevance of TOTVS to its clients and customers, helping Brazilian companies of all sizes and segments to achieve the efficiency and productivity sought by everyone.

The following table shows the Company's consolidated key financial and operating indicators:

In millions of Reais (except percentages)	Fiscal year ended on December 31,		
	2020	2019	2018
Net Revenue	2,596.1	2,282.1	2,111.2
Recurring Revenue <sup>(1)</sup>	1,954.1	1,729.2	1,547.2
EBITDA <sup>(2) (4)</sup>	598.4	429.2	270.9
Adjusted EBITDA <sup>(3) (4)</sup>	590.0	469.7	347.0
Net Income	294.9	210.6	60.6
Renewal Rate <sup>(5)</sup>	98.5%	98.3%	97.9%

<sup>(1)</sup> Comprising software subscription, technical support and technology upgrades. For more detail on Software Revenues Net, see item 3.2 of the Reference Form.

<sup>(2)</sup> EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) is a non-accounting measure prepared by the Company in line with CVM Instruction No. 527, dated October 4, 2012, which is reconciled with its financial statements and consists of its net income for the fiscal year or period, plus financial income and expenses, income tax and social contribution, and depreciation and amortization cost and expense.

<sup>(3)</sup> Adjusted EBITDA is a non-accounting measurement prepared by us corresponding to EBITDA adjusted by equity accounting income, provision for asset impairment, additional contingency provisions, losses (gains) on sales of permanent assets, provisions for doubtful debts, gains on sales of subsidiaries and net losses from discontinued operations, which, in our view, are not part of the ordinary course of business and/or distort the analysis of our performance. For more details on Adjusted EBITDA, see item 3.2 of the Reference Form.

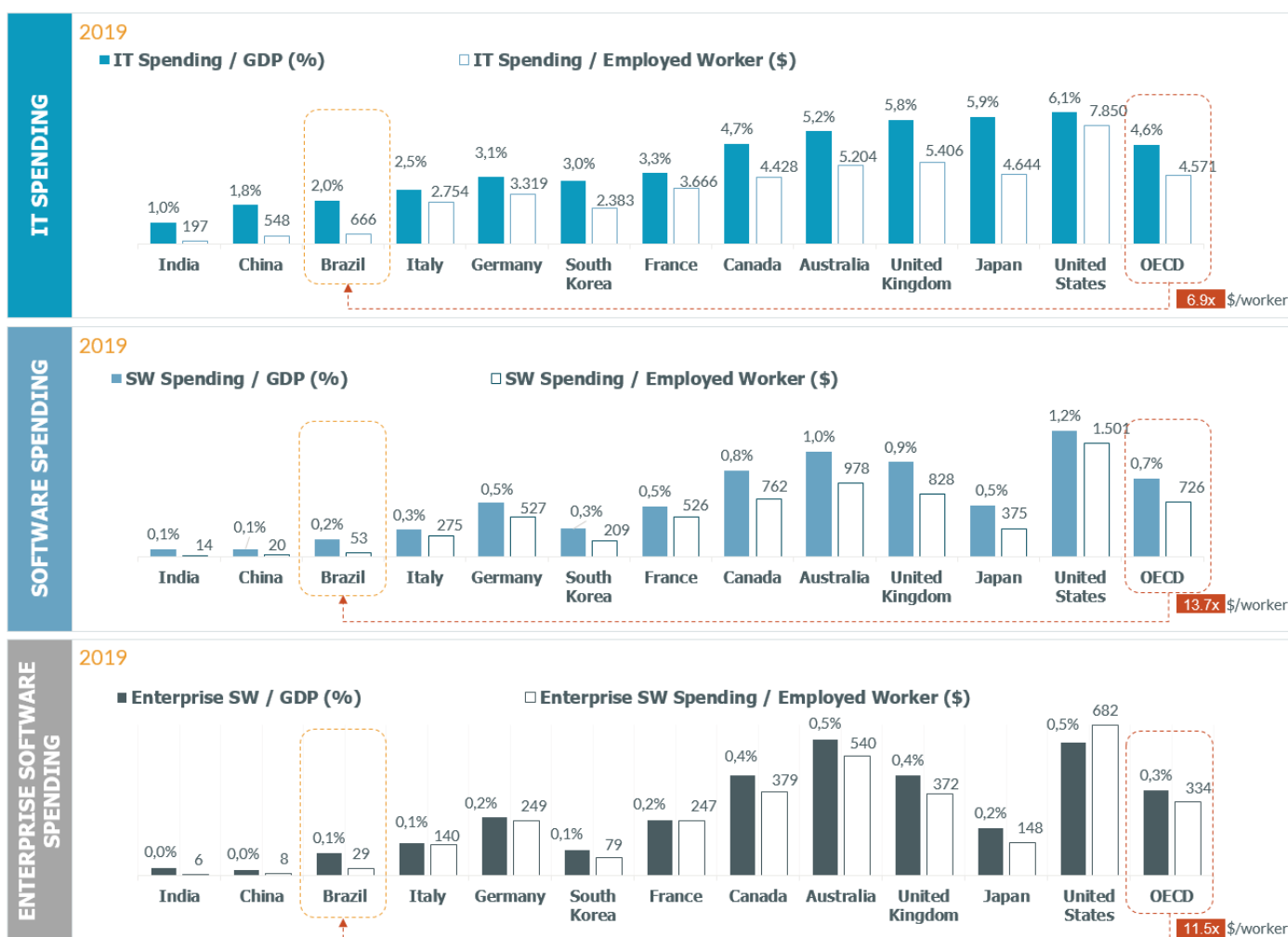
<sup>(4)</sup> EBITDA and Adjusted EBITDA are not financial performance measures according to the Accounting Practices in adopted in Brazil or to the International Financial Reporting Standards (IFRS) issued by the international Accounting Standard Board (IASB), do not represent cash flow for the stated periods, should not be considered substitutes for net income, operating performance indicators or substitutes for cash flow as an indicator of the Company's liquidity. They have no standard meaning and may not be comparable to similarly termed measures provided by other companies.

<sup>(5)</sup> The Renewal Rate represents the percentage of clients who remained in the recurrence basis at the end of the period relative to the basis at the start of the period, using the amount of recurring revenues as a reference.



## Market Opportunities

According to Gartner's Market DataBook study published in December 2020, Brazil was among the 12 largest IT markets in the world, with expenditures of approximately 62 billion dollars, of which 5 billion dollars represent investments in software. However, investment in IT and Software in Brazil is still below that of more developed countries and most IT markets. Based on information from the World Bank, Brazil concentrates approximately 3% of the global workforce; however, spending on Software is around 1% of global spending, which leads us to believe that the Brazilian management software market (ERP, HR, and Verticals) is not yet mature and still has a lot of room for growth. The graphs below show such a difference compared with other countries and the average for OECD countries:



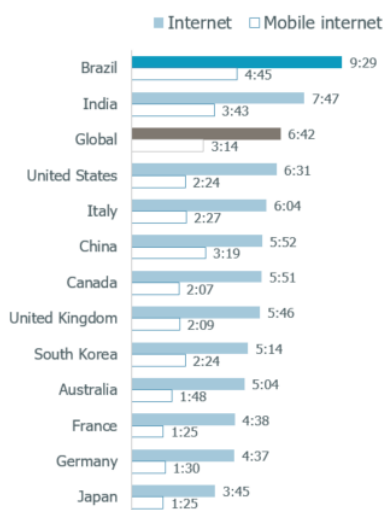
Sources: World Bank, OECD, TOTVS

Despite the use of IT and Software being relatively low, Brazil already has elements that point out good prospects for the growth of IT investment in the future. According to a survey developed by Hootsuite in 2019, the Brazilian population had high levels of consumption of internet services and use of social media for business purposes at levels of almost 20 pp above the average measured in OECD countries, which points out that many companies are increasing the usage and adoption of social tools to interact with their clients/customers, as shown in the following graphs:



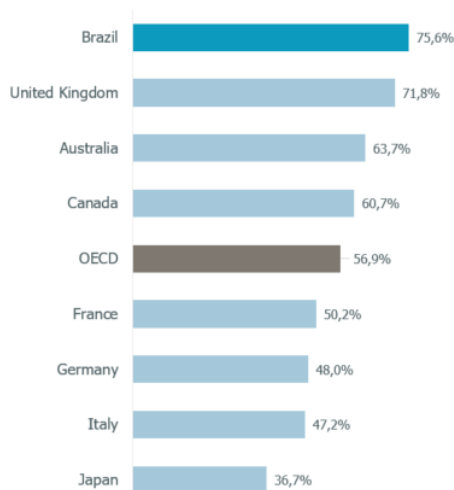
### High Internet Usage

Time per day spent using the internet (hours)



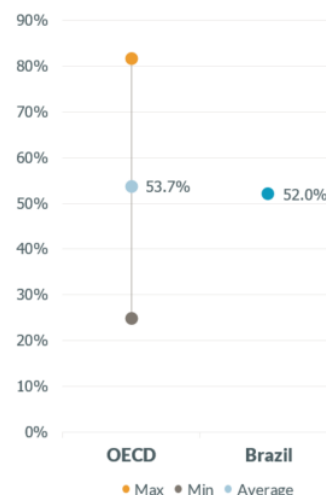
### High Social Media Usage for Business Purpose

Businesses using social media (%)



### Connected Business Users

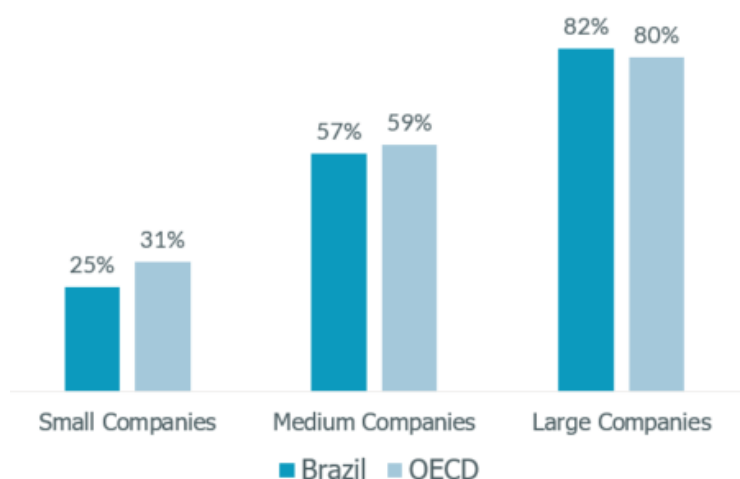
Persons Employed Using a Computer with Internet Access (%)



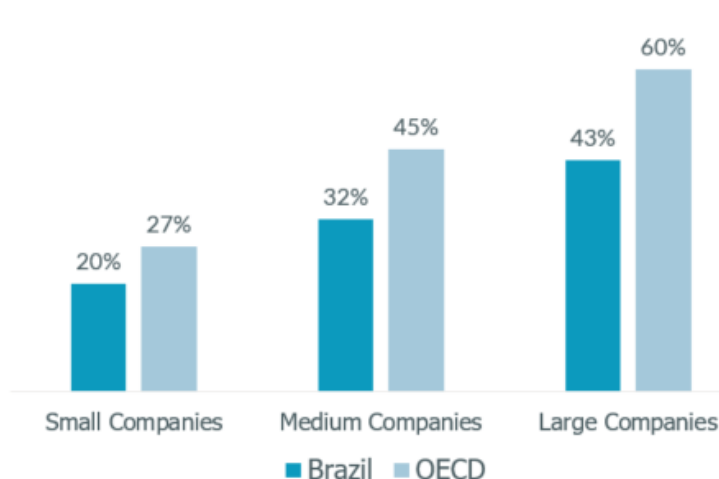
Sources: Hootsuite 2019, OECD 2019

TOTVS believes there are 3 key growth drivers in Brazil. The **first driver** is low market penetration. CETIC'S statistics on the rate of use of ERP and CRM in Brazil point out that many (more than 3 million) companies still do not adopt any Management Software in their operations, and such rate is lower than in other OECD countries.

### ERP Adoption (% Total Companies) - 2019



### CRM Adoption (% Total Companies) - 2019



Sources: CETIC (TIC Empresas 2019), OECD statistics, IBGE

The **second driver** is a potential use in an already penetrated market. Even companies that already use ERP in Brazil spend less on software than many OECD countries.

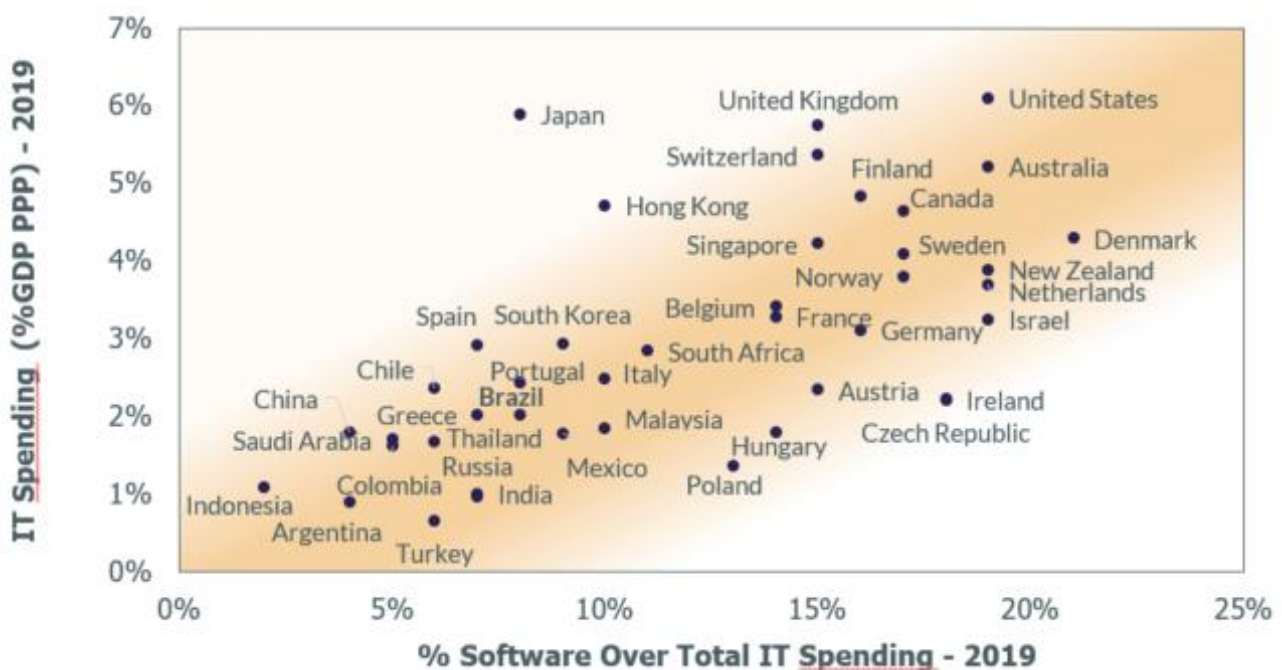


### Brazil – Thousand of Companies Without Software (ERP/CRM) - 2019



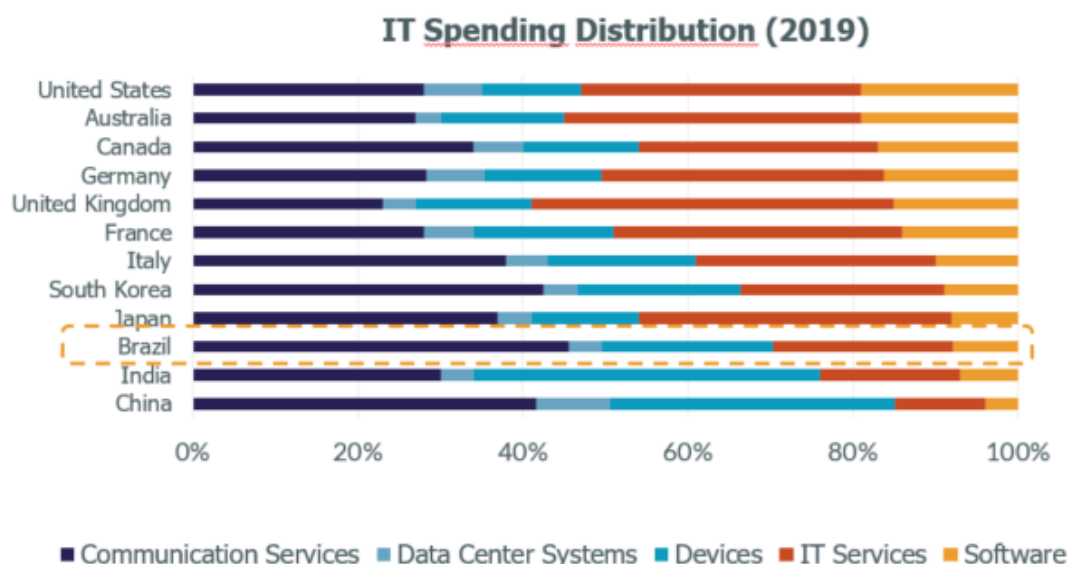
Sources: CETIC (TIC Empresas 2019), OECD statistics, IBGE

The **third driver** is the potential share of software in IT spending. Data show a positive correlation between IT spending and the relevance of software on the Total IT Spending in each country, that is, as countries mature and start to invest more in IT, the investment in software becomes more representative out of total IT spending.



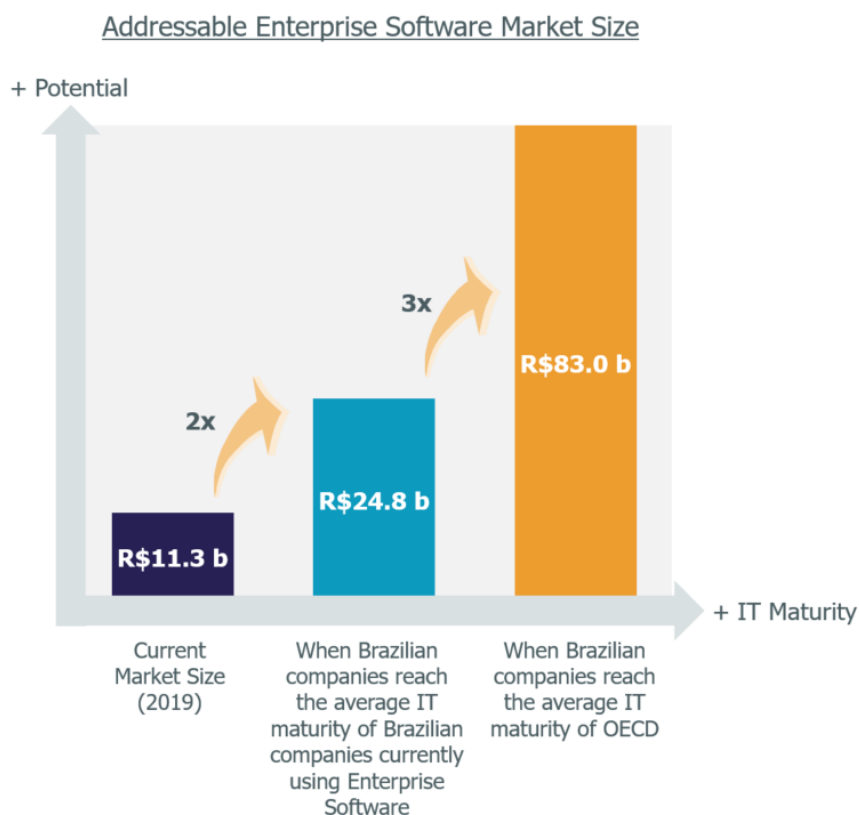
Sources: World Bank, TOTVS

When looking specifically at Brazil, there is a low share of spending in software in terms of the total IT spending compared with other leading IT markets, which shows a high potential for expanding software investments in Brazil.



Sources: World Bank, TOTVS

TOTVS predicts that there is a management software market potential in Brazil of approximately R\$24.8 billion when Brazilian companies eventually reach the average IT maturity of Brazilian companies that already use management software. TOTVS also believes that this potential could be even greater, reaching R\$83 billion when Brazilian companies reach the IT maturity of OECD countries.



Sources: FGV (2020 IT research), Softwarepath, Aberdeen Group, ITData (2020), IBGE, IDC, CETIC (TIC companies 2019), TOTVS



That potential can be exploited in different ways, whether through upselling, cross-selling, or operating within a non-penetrable market. The opportunities shown here, combined with the positive trajectory of the IT sector, which has shown a history of growth above the average of the Brazilian economy, reinforce our view that the Brazilian market is an important source of growth and opportunity for TOTVS.

### **Techfin**

The Brazilian market shows high banking concentration, where the top-five banks (Caixa Econômica Federal, Banco do Brasil, Itaú Unibanco, Santander, and Bradesco) accounted for 83.8 percent of all deposits in 2018. Such an environment helps to maintain a high cost of credit, in which the overdraft fee for individuals is 165.6% per year as of January 2020, according to data from the Central Bank of Brazil, while the benchmark Selic interest rate ended the year at about 4.5%.

This scenario creates an opportunity for TOTVS to do business in the techfin segment without letting go of our technology DNA as a software company. TOTVS positions itself as techfin rather than fintech in order to offer solutions to simplify, expand the access to and lower the cost of financial products, including payment and credit solutions for our clients. Our techfin segment can be leveraged by: (i) our expertise and know-how in technology and digital solutions; (ii) our ability to collect and analyze large volumes of data; (iii) our ability to launch new products to adapt to user requirements; (iv) our robust distribution platform in all regions of Brazil; (v) our access to a broad recurrent client base across the value chain; and (vi) our well-established brand. These solutions, in fact, can be offered in partnership with players in the financial industry, whether they are firmly established or newcomers, who possess complementary knowledge like product expertise, knowledge of the regulatory environment and client risk assessment skills.

In addition, access to a broad client base whose transactions are carried out through and supported by TOTVS systems, combined with a trend towards digitization of businesses and pressures for efficiency gains and revenue growth, creates an opportunity for TOTVS to develop solutions to enhance its clients' performance based on analysis of their data, including, for example, measures designed to increase sales in certain situations and to better manage company resources.

## **Strengths and Competitive Advantages**

### **Leadership position and brand**

We are a Brazilian multinational standing as Brazil's leading ERP company with over 50 percent market share. In Latin America, we have a 30-percent share in the ERP market, according to a survey conducted by Gartner. We estimate our aggregate revenues from clients at approximately R\$1.6 trillion.

We are the 25<sup>th</sup> most valuable brand in Brazil in the Interbrand ranking for 2020, and ours is the only technology brand in that ranking, which we believe is a valuable asset that contributes to attracting new clients, as well as the best and most innovative tech professionals in the software industry. TOTVS was the only Brazilian IT company ranked in "The 2018 Global Innovation 1000 Study", which is published annually by the consulting firm Strategy&, associated with PwC.

Our leadership position affords us broad access to the various market segments we serve and enables us to offer several products in a verticalized manner for both new and existing clients of all sizes, including cross-selling opportunities. We also believe that because of our solid reputation, we can bring outstanding professionals, partners and clients to our open ecosystem, keeping pace with and integrating evolving demands while anticipating future trends.

### **Distribution platform**

TOTVS is present all over the Brazilian territory and has clients in 41 countries. This great capillarity is the fruit of our strategy of expanding through branches and exclusive channels and franchises, which was rolled out in the





1990's and allows us to be close to our clients at all times, to better learn about their business and the specificities of areas where they operate, and to earn their trust.

We believe our distribution platform is a strong edge that, with a local and digital presence, can serve companies of all sizes.

In the large corporation segment, we have a specialized division with skilled professionals trained in each industry served to provide not only a specialized service, but also support and advisory.

In the small and medium-sized business segment, we have five owned units and 52 franchised territories. We believe that this capillarity of our sales force makes for unique knowledge of our clients' needs, as well as for optimized sales and implementation costs. Our franchisees operate on an exclusive basis and are compensated not only based on sales made, but also according to recurring revenues from software, which we believe motivates them to keep a high degree of alignment with our interests, particularly in maintaining long-term relationships with our clients.

To serve microbusinesses, we operate a multi-channel system through partners, retailers and resellers, which enables us to reach all regions and large urban centers in Brazil.

Lastly, TOTVS Store enables us to set up a digital channel to interact with our clients, particularly for cloud computing applications.

### **A broad, diverse and flexible portfolio**

Our portfolio covers a complete horizontal offering, with Management solutions, including ERP, HR, Vertical, and Innovation Platforms; Techfin; and Business Performance, including CRM and Analytics. We believe our solutions are broad, diverse and flexible, handling and meeting the needs of all our clients in the most varied of verticals in 12 business segments (agribusiness, building and construction, distribution, education, financial services, travel and hospitality, legal, logistics, manufacturing, health care, services, and retail).

We supply companies of all sizes with cloud or on-premises solutions. Our solutions are scalable and modular and can be easily configured to enable specific functionalities for different business segments and sizes with consistent integration.

### **Business model with a track record of growth and profitability**

Our core business model consists of offering and developing, in a constantly innovative way, ERP systems that are reliable and efficient to securely process corporate information, making them a tool of paramount importance to our clients in managing their business, where we believe we have deep expertise.

Our business model takes a client-focused approach, comprising a broad product portfolio, an aftersales team that includes experts in promoting cross-selling and upselling, and centralized implementation and maintenance teams. We make it more simple and easier for our clients to contract and use our solutions through a variety of sales methods that adjust to each client's reality according to their stage of maturity. This enables us to support our clients' evolution, positioning ourselves as a long-term partner and expanding our services and cross-selling efforts throughout the life cycle of our partnership.

This business flexibility allows us to grow along with our clients, supporting long-term relationships. Over the past eight years, our gross revenues increased by more than 2.10 times, with a renewal rate of 98.3 percent as of December 31, 2019. We believe these factors, combined with a recurring relationship model (monthly payments with automatic annual renewal of contracts), confer predictability and profitability to our business.

### **Acquisition Track Record**

We believe we have solid capacity and track record to identify, negotiate and integrate acquisitions over more than 20 years, creating value for the Company by bringing about significant synergies.



Since 2006, we have acquired more than 25 companies that have strengthened our core business and our ability to break into new business segments. Our executives are experienced in the process of both acquiring and integrating new companies into our business, which boosts potential synergies to be achieved with a focus on increasing cross-selling, reducing churn, expanding services and solutions offered, cutting costs, improving governance and expanding sales using the TOTVS brand. Significant examples of our ability to integrate are the RM and Datasul acquisitions, which were both transformational to the Company due to their size at the time of acquisition.

### **An experienced and skilled executive team and strong corporate governance**

We believe the extensive experience and in-depth knowledge of our executive team has given us a decisive competitive edge in the dynamic market where we operate. Our Management currently consists of an engaged, young team boasting 18 years' business experience, on average, in the tech sector, approximately 9 years of which, on average, have been exclusively dedicated to the Company. These highly qualified professionals play a key role in growing our business, creating a culture of operational excellence, transparency and efficiency, and setting high standards of governance and ethics.

We successfully completed in 2019 the challenging succession process at one of the world's largest management software companies, preserving the legacy of the company's founder, who remains supporting the Company as the Chairman of the Board. We will keep the same premise that guided us since the very beginning: innovation, entrepreneurship and determination; relying on technology as the driver of competitiveness and productivity in the country; and working daily to offer the best solutions and increasingly more digital experiences to our clients.

The expertise and skills of our executives will be key to spotting growth opportunities, making acquisitions, successfully integrating acquired assets and implementing the strategy set out below.

In addition to being listed at the highest governance level of B3, the special segment known as Novo Mercado ("New Market"), we are a true corporation, with six out of the seven members of our board of directors being independent and highly qualified. Our audit committee consists solely of independent members of our board of directors, to which our internal audit team reports directly. Our Audit Committee is composed of independent members of our Board of Directors and an external member, to whom our internal audit team reports directly.

## **Growth Strategy**

### **Strengthening our core business**

Our growth strategy is based on strengthening our core business by continuously focusing on providing solutions that are sold and implemented in a simple and rapid way through a digital and capillary distribution and business network and on developing deep, longstanding relationships with a diversified client base.

In addition, we completed our transition to a SaaS-based business model (Software as a Service), allowing users to connect and use cloud-based applications and Cloud, which increases our recurring income, with a loyal customer base.

Considering that the penetration of certain solutions, such as CRM and Business Intelligence, is estimated at less than 5 percent of our existing client base, we believe there is a great opportunity for growth through greater supply and penetration of our vertical solutions, with great potential for cross-selling to our existing and future clients.

### **Expansion into new markets**

Our expansion into new markets (techfin and performance) is based on our competitive advantage of being already present in nearly all segments of our clients' value chain, which enables us to offer new, flexible, customized





solutions that help our clients sell more (performance) and increase efficiency in their operating and financial activities (techfin).

As part of this strategy, TOTVS has set up its techfin division, whose main objective is to simplify, expand and cheapen our clients' access to credit and other financial services, including through partnerships with financial institutions. As such, we seek to add further value to the value chains already served by our Brazilian-market-leading enterprise management solutions by offering, for example, credit solutions to sectors as varied as education, health care, HR and manufacturing.

We have already struck a partnership with Rede (a technology platform featuring receivables management solutions) that enables us to tackle new markets in the near term. In addition, we are also watching out for new opportunities in e-commerce solutions to eliminate intermediaries from our clients' value chains.

### **Accelerated Growth through Acquisitions**

We believe acquisitions are a powerful tool to leverage our strategy of strengthening our core business and expanding into new market. We constantly assess potential strategic acquisitions based on 4 key pillars:

1. Bolstering and supporting our core business (horizontal back-office and/or HR solutions);
2. Broadening our activity by seeking the leading position in our business segments (vertical solutions);
3. Acquiring targets that will add new agnostic and scalable products to our portfolio so as to boost our cross-selling capabilities; and
4. Creating new markets and expanding our potentially addressable market (techfin ad performance).

Our pipeline of potential acquisition targets is constantly updated in view of the dynamism of the information technology market. Targets are assessed on the basis of how they fit in at least one of the four pipeline pillars, their availability for negotiation, and whether their estimated value is consistent with the levels prevailing in the marketplace.

On May 22, 2019 the Board of Directors approved the capital stock increase from R\$ 1,041,228,564.43 to R\$ 1,382,508,564.43, within the authorized capital limit.

On May 8, 2019, the Company entered into a binding Memorandum of Understanding in order to sell to ELGIN S.A. ("ELGIN") the hardware operations we run on the Brazilian territory through the subsidiary Bematch Hardware Ltda. for the amount of R\$25,000,000.00, subject to adjustments, payable at the closing of the transaction. The decision to sell the hardware operations is part of TOTVS's strategic plan of having its teams and resources focused on the software operation.

On May 9 2019, the Company released a Material Fact disclosing the conclusion of an agreement with VTEX S.A. ("VTEX") to: (i) create a joint venture focusing on the development and distribution of e-commerce software solutions for companies in the Brazilian market; and (ii) sell to VTEX all of the interest held by the Company in the capital stock of CIASHOP S.A. ("CIASHOP"), representing 70.47 percent of CIASHOP's capital stock, for the amount of twenty one million one hundred and seventy-five thousand Reais (R\$21,175,000.00), subject to adjustments, payable at the closing of the transaction. The total value assigned to CIASHOP was thirty million forty-eight thousand nine hundred and sixty-six Reais and eight cents (R\$30,048,966.08).

On October 24, 2019 the Company announced the completion of the sale of its Brazilian hardware operations, through the subsidiary Bematch Hardware Ltda. to ELGIN S.A. for the amount of R\$25,000, which is subject to a possible price adjustment to be determined under the terms set forth in the contract that governs such transaction. On November 6, 2019, the sale of Bematch International Corporation (BIC) to Reason Capital Group LLC. was completed, pursuant to an agreement executed on July 2, 2019, for the amount of US\$4.4 million - corresponding to R\$17,528, after adjustments set forth in the agreement, of which US\$ 1.5 million - corresponding to R\$ 5,988 - were retained as collateral and shall be released by November 5, 2022.



On October 28, 2019 the Company announced the acquisition of 88.8% of the share capital of Supplier, a company focused on B2B credit between customers and suppliers, for the amount of R\$455.2 million. Mauro Wulkan and Eduardo Wagner, founders of such acquired company, remain as managers and shareholders, holding 11.2% of its share capital. This is the first acquisition made by the Company after raising more than R\$1 billion with the follow-on (subsequent offering of primary shares), carried out in May 2019. On April 30, 2020 the Company announced that such transaction had been completed.

Supplier is expected to accelerate the Company's Techfin strategy, which aims at simplifying, expanding, and making cheaper clients' access to credit and other financial services. Over the next few months, the Company and Supplier will develop a technological platform that will allow full integration with companies' management systems, aiming at a smooth, frictionless experience for clients and suppliers. Such platform is also expected to enable the use of big data, seeking to continuously improve credit approval algorithms. Supplier started its journey at TOTVS on the Fintechs model, combining the origination, definition, and use of credit policy and approval, which is assigned to participants in the financial system, currently a Receivables' Investment Fund (so-called "FIDC"), which carry the portfolio and credit risk. With such model, Supplier's investment and net equity risk is essentially limited to its subordinated shares of said FIDC, preserving Supplier's financial spread in the transaction. TOTVS aims at taking Supplier to the Techfin model, expanding to its customers' supply chains, enabling B2B credit in recurring relationships between clients, customers and suppliers and providing a frictionless experience to those involved, through the integration of management systems in Supplier platform and the use of artificial intelligence and big data for the continuous evolution of its credit algorithms.

On December 27, 2019 the Company announced the acquisition of 100% of the shares of Consinco S.A. for the amount of R\$197 million, paid on the closing of the transaction carried out on January 30, 2020. In addition, a supplementary purchase price of up to R\$55 million may be paid, subject to the achievement of targets set for Consinco for years 2020 and 2021 and the fulfillment of other conditions. Consinco is the leading provider of management systems for supermarkets and self-service wholesalers (wholesale, i.e. wholesale and retail) in the Brazilian market. With such move, the Company is increasing its presence in the retail segment and consolidating its leadership position in the vertical segment of supermarkets, the end of a long value chain that also enables the generation of significant synergies through the offering of financial services solutions, such as B2B credit, from the Techfin division.

On April 8, 2020, the Company, through its subsidiary known as TOTVS Large Enterprise Tecnologia S.A. ("TOTVS Large"), entered into a Purchase Agreement to acquire shares representing 100% of Wealth Systems' capital stock for the amount of R\$ 27 million, subject to adjustments, of which R\$ 16.7 million were paid in cash to sellers and R\$ 10.3 million will be paid in February 2021. Founded 19 years ago, WEALTH SYSTEMS operates in the software market providing CRM (Customer Relationship Management) and SFA (Sales Force Automation) solutions in Latin America, with more than 250 associates and more than 450 clients and customers in different sectors of the economy, with major customers especially in the agribusiness, manufacturing, and distribution industries. WEALTH SYSTEMS was already a partner of TOTVS with its CRM (Master CRM) and SFA (Master Sales) solutions, serving more than 150 clients and customers, and it fits our purpose in Business Performance, which is to provide solutions aimed at generating opportunities for and converting sales of our clients, with the purpose of adding even more value to the chains already served by the solutions of the Management and Techfin divisions of TOTVS.

#### **7.1.a - Specific information on government-controlled companies**

Not applicable. The Company is not a government-controlled company.



## **7.2 – Information on operating segments**

### **a. products and services sold**

TOTVS provides the market with a flexible, broad and diverse portfolio of business solutions, encompassing enterprise resource planning (ERP) software, verticalized solutions (by client industry), smart platforms (for productivity and collaboration, data and artificial intelligence, the Internet of things, analytics) and value-added services (implementation, consulting, business education, infrastructure) for companies of all sizes in 12 strategic sectors of the economy (Agribusiness, Building & Construction, Distribution, Education, Financial Services, Travel & Hospitality, Legal, Logistics, Manufacturing, Health Care, Services, Retail).

### **Business Model**

Our business model is focused on our clients. We believe in the transformative power of technology and its ability to increase the efficiency, productivity and competitiveness of companies, generating positive economic impacts. This is a fundamental guideline that pervades all of our actions, from our research, development and innovation effort, which are aimed at designing solutions for the lines of business of our clients. The solutions developed seek to generate value directly for the client's business (B2B - Business to Business) but also consider the needs of their final consumers (B2C - Business to Consumer), to client care and relationship structures that rely on exclusive teams according to client profile and size to the supply and sale of solutions that make contracting simple and easy, from a traditional software license to the payment of a monthly subscription fee.

Our clients' experience begins with the relationship with our sales team that seeks to understand their profile and the environment in which their business is inserted. Such teams are responsible for appropriately mapping and learning the clients' needs, which can be related to different aspects. They can, for example, be connected to automating critical business processes such as accounting, finance, 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 production, quality, industrialization, funding, and trade of commodities in agribusiness, point of sale (POS) in a retail department store, automation of manufacturing processes in a factory. The customer service process aims, ultimately, at developing the architecture and specification of the most appropriate solution, individually.

The next step is implementing the solution on the client's premises, for which TOTVS provides dedicated teams that are qualified to do this job, yielding end clients lower costs. Upon implementation of the solution, we provide maintenance and comprehensive support services through a highly experienced team based on TOTVS's own premises who are available 24 hours a day, seven days a week. Lastly, we also have an aftersales group, 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.

TOTVS offers more than one software contract option. A client that enters into a license agreement, which includes the licensing of rights to use the Company's software, will also, in most cases, enter into software maintenance agreements that ensure the right to receive any new software versions released by TOTVS, containing adjustments and the entire technological, functional or legal development.

On the other hand, when the client's choice is a subscription (software as a service), they are given the right to use the software in its new versions, as released by TOTVS, containing adjustments and the entire technological, functional or legal development, upon payment of a monthly subscription fee. The client can also choose to contract cloud hosting solutions.

In both options, clients can contract solutions through owned or franchised distribution channels. Where a franchisee is involved in a sale, the Company bills the client directly and pays a commission to the franchisee.



Regardless of the contract type, consulting, implementation, technical training and customization services (any such specific development to adjust the software as may be conducted according to specific requirements) can be either provided by TOTVS or contracted by the client directly with third parties (including franchisees and/or TOTVS-certified distribution channels), in which case the service is billed directly by the third party.

Our business models contemplates both recurring and non-recurring revenues from software. Revenues are posted net of taxes, returns, rebates and discounts, where applicable. Revenues are recognized in amounts that reflect the consideration to which the Company expects to be entitled in exchange for its transfer of goods or services to a client.

**Recurring Revenues:** Recurring software revenues comprise software subscription (involving a low initial investment upon which the client gains access to multiple solutions simultaneously on multiple devices with an unlimited number of users), maintenance (technical support and technology upgrades) and recurring services (cloud computing, recurring client care).

**Non-Recurring Revenues:** Revenues from software license fees, where the client acquires an Assignment of Right to Use (CDU) based on a fixed number of users, as predetermined by contract, or an unlimited number of users if the sale is based on the client's turnover, as well as solution implementation and customization, consulting and business education services.

Our goal is to expand the access to the technology and ensure more and more companies can benefit from its advances and the age of digitization and become more competitive. Hence we always guarantee the freedom of choice so that every client and customer can decide on the most suitable way of contracting the software for their reality.

## 1. MANAGEMENT PORTFOLIO

Our software portfolio includes a three-tiered offer: (i) the ERP solution for back-office operations, contemplating general processes involved in running a business, such as marketing, human resources, contacts, administrative and financial activities, among others; (ii) software solutions specialized in the client's business vertical, and therefore completely focused on the challenges of TOTVS's 12 operating segments; and (iii) the innovation platforms, which represent the evolutions of the management system, featuring a more open architecture and integration with apps and designed based on such premises as productivity, collaboration, management and relationship, and a robust intelligence and data analysis capacity.



**Figure: Management Portfolio**

### 1.1 ERP Solutions

The enterprise resource planning (ERP) system is the basis for all operations of a business, providing easy and reliable real-time access to a company's data, anytime and anywhere, integrating and facilitating communication among different departments, such as sales, finance, inventory and human resources, while improving the control and management of processes in an organization. The data obtained from an ERP system and their analysis enable



deep diagnoses, which can assist a manager in making the best decisions for their company for greater efficiency and productivity, cost reduction, growth, profitability and improved competitiveness.

The TOTVS ERP is in a permanent technological improvement process to provide more and more functionalities and benefits to our clients' business, keeping up with the dynamics and rapid changes in the marketplace, while ensuring compliance with business, tax and information security regulations.

**TOTVS BackOffice:** The BackOffice ERP comprises essential and complementary management processes, integrating solutions that are tailored to the special feature they support on a productivity and collaboration platform. This comprises the administrative and financial BackOffice service, in full compliance with the law, as well as modules that are key to running business in any kind of industry, such as engineering, inventory, costs, and production planning and control.

Brazil tax laws are among the most extensive and complex in the world, which requires companies to monitor that ever-changing tax scenario. The difficulty to keep a strategic management of tax risks is aggravated on a daily basis by a calendar filled with different obligations and deadlines to meet all over the national territory, as well as to invest in personnel, software, data storage, consulting services, outsourcing and attorneys and to cover court expenses.

The means used by tax authorities to ensure compliance with tax regulations gain traction with each passing year. The entire history and operating process of a taxpayer are carefully scrutinized by the tax authorities. Having electronic documents (NF-e, NFS-e, NFC-e, Eventos e- Social, EFD Reinf, etc.), monthly book entries (state tax payment forms, SINTEGRA, EFD ICMS IPI, EFD Contributions, Periodic e-Social Periódico and Não-Periódico, EFD Reinf, Bloco K, etc.) and annual book entries (SPED Contábil, ECF, DIRF, RAIS, etc.) in their possession, tax authorities will use their tax expertise for the most varied of purposes in order to control tax information.

Tax liabilities are part of the day-to-day business at all companies, irrespective of their size and business segment. Understanding the tax scenario in Brazil is an extremely complex task that takes time, knowledge and constant updates.

**TOTVS RH:** TOTVS has complete solutions to support the processes making up the Human Resources suite, making human capital management and development simple and fast for companies in all processes, such as supporting legal requirements and payroll processing, benefit management, employee workday control, workforce planning, talent attraction and retention, training management, competency-based management and monitoring of results through indicators and action plans and by setting strategic targets.

## 1.2 – Vertical Solution

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. Accordingly, TOTVS has decided to focus its business on 12 sectors of the economy, a strategy that 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. For example, the Supply Chain feature combines the Agribusiness, Manufacturing and Logistics segments.

TOTVS builds its teams by selecting professionals specialized in each of our clients' 12 business segments, thereby maximizing the benefits of specialization. That has led us to offer even more specific solutions not only for our client, but also for our clients' clients. This means, for example, that when we develop a tool for a university, we seek to meet not only the needs of that educational institution, but also those of its clients, that is, students.

Integrated into the BackOffice systems, the way in which vertical software products are structured in each industry meets the challenges of the client's core business and is aimed at consolidating solutions and business processes





by business sector of the economy, optimizing the development of solutions, updates and innovation. This allows the solutions offered by the Company to meet the most basic needs companies have in connection with routine back-office operations, such as accounts payable, accounts receivable, tax and human relations processes, as well as needs related to their core business, such as controlling students, for a university, controlling inventory, for a manufacturer, or managing construction works, for a builder.

With that in mind, TOTVS's portfolio is organized into specialized business solutions for the following 12 sectors of the economy:

- **AGRIBUSINESS**

TOTVS has specialized solutions for the agribusiness segment that cover the value chain of the following subsegments: Processing and Sales of Agricultural Commodities, Crop Production, and Bioenergy. Our goal is to enable greater traceability of production, better financial and economic management, and total planning and control within processes that are peculiar to agribusiness, ranging from agricultural planning to harvesting and manufacturing, considering best management practices in precision agriculture and granular identification where the cost and operating income bottlenecks are found, which can contribute to achieve a better performance.

- **MANUFACTURING**

In the current scenario of digital transformation, our value proposition is to make feasible that manufacturing processes become lighter by simplifying and digitizing processes. We invest in mobility and automation solutions to ensure greater speed and accuracy in shop floor records, increase efficiency, improve productivity, and reduce costs. We provide a modern advanced production planning solution to support synchronization and sequencing of the supply chain and facilitate the incorporation of Industry 4.0 concepts. We develop offers for eight major specialties: Metal-Mechanics & Plastics, Durable Goods, Consumer Goods, Chemicals and Recycling, Extractivism & Processing, Paper & Cellulose, Textiles & Clothing and Capital Goods, enabling an increasingly sustainable manufacturing with technological innovation and development of products combined with environmental preservation.

- **LOGISTICS**

TOTVS offers specific solutions for the Logistics segment, which meets the challenges of the most varied subsegments, among them, carriers, logistics operators, ports and bonded areas, manufacturing, distributors, retail etc. In this segment, we aim to ensure balanced inventories, shorter order processing cycle times, lower operating costs, higher service levels with greater client satisfaction and loyalty, accurate and reliable information flows for purchasing management, transportation management, tax and billing management, and on-time deliveries with total visibility of the logistics operation.

- **RETAIL**

The following retail sub-segments are served: Management of Car Dealerships, Franchise Networks, Drugstores, Supermarkets, Fashion, Food Service and Foods, Department Stores, and Hardware Stores. Our solutions intend to offer comprehensive management for retailers, from automation of administrative process to the closing of sales at the POS (checkout), including store management, credit management, mobility, e-commerce, inventory management, pricing, RFID, and grid and assortment management, with secure information and integrated solutions.

- **DISTRIBUTION**

Solutions for various types of operations, from distribution of basic inputs to wholesale distribution of the most varied kinds of products, such as groceries, cold cuts, cosmetics, hygiene and cleaning products, building materials, pharmaceuticals, chemicals and auto parts. Our solutions are thought out according to the steps in the supply chain and aim to automate everything from the purchase of goods to the receipt and storage of products, to sale,



separation, shipping, billing, shipment adjustment, treasury and finance, and to the company's tax and accounting operations.

- **SERVICES**

TOTVS has solutions tailored to the following sub-segments: Security and Cleaning Service Providers, Equipment Lease, BPO, IT and Telecom, and Passenger Transport. We aim to enable clients to ensure the control of operations with an optimized allocation of resources and, as a result, improved productivity, while creating value for clients in a sustainable way by offering quality services to foster longstanding relationships and skilled labor to provide their services.

- **BUILDING & CONSTRUCTION**

TOTVS provides solutions tailored to the Developers and Real Estate Market subsegments. Our value proposition for this segment is to offer mobility and total data integration for construction site management and to enable a proper project planning with consistent budgeting and accurate monitoring of contracts and supplies of materials that are used in construction.

- **EDUCATION**

TOTVS provides specific solutions for Elementary School, Higher Education and Continuing Education. Our goal is to enable educational institutions to digitize and optimize all of their student management processes, such as enrollments, test management, default management, and ensuring greater student retention and satisfaction with the education offered and services provided by such institutions.

- **TRAVEL & HOSPITALITY**

TOTVS offers solutions specially developed from processes peculiar to hotels, inns, and resorts. Our purpose is to ensure that managers can have a complete view, with easy and agile access to the main operating and administrative processes that are part of the hotels' daily routines. Through the solutions offered it is possible to access the check-in, check-out, governance, and booking search operations at any time and from any place, in addition to showing all the key hotel management indicators, such as the occupancy rate, average prices per night, real-time revenue, REVPAR (hosting revenue per available room) among others, for mobile devices.

- **LEGAL**

TOTVS understands the reality of the legal service value chain and helps law firms and legal departments to work with greater flexibility and speed and keep themselves constantly up to date through scalable, specialized solutions that control operations, reduce costs, improve client relations and help to secure new cases to handle. The proposition for this segment is to enable those responsible for legal departments to fully manage procedural and administrative activities, a mobile and accessible management for quality relationships with partner law firms, and definitive management to sustain the operation with a specialized back-office, in addition to ease of operation and scalability.

- **HEALTH CARE**

TOTVS develops specific solutions for the health care segment, serving medical offices, clinical centers and hospitals of any size, as well as health care and self-management operators. We seek to improve clinical performance and compliance and to generate sustainable financial results, supporting their business with reliable and interoperable data and information for appropriate decision-making processes, from billing processes and authorizations to the adequate transfer of funds to providers, to disallowance control and compliance with the regulations applicable to the industry, ensuring streamlined, quality patient care.



## • **FINANCIAL SERVICES**

TOTVS offers specialized solutions for all kinds of financial institutions, such as banks and credit agencies, credit cooperatives, investment funds, supplementary pension plans and insurance brokers and insurance companies, comprising all of their investments, credit, cards and core banking areas, from business environment to accounting and operations, including management, compliance and market controls. Our aim is to deliver to our clients reliable financial operations, accurate financial calculations and efficient credit extension processes with reduced risks and sending of required information to the legal agencies.

### **1.3 – Innovation Platform Solutions**

For TOTVS, ERP is our core business and, like the world, it is constantly changing — evolving from systems into open, connected and customizable platforms. The Company currently has 2 innovation platforms available to clients, which integrate with their management portfolio, leveraging back-office solutions and specialized software in the most varied segments of clients, thus adding greater value to their operations. Such two platforms are the following ones:

- **Carol Data and Artificial Intelligence Platform:** Carol is TOTVS's data and artificial intelligence platform which makes data processing easier for implementing artificial intelligence algorithms. It is the cognitive intelligence of TOTVS solutions. It allows clients to improve data ownership within organizations and increase analytical capacity and decision-making speed in the face of a business environment with a growing volume of information, also facilitates the implementation of AI products, such as a virtual assistant, answering questions and offering business insights. Uses Deep Learning and Machine Learning to drive transformation in the way companies and their results are managed, all in a simple, assertive manner and with solid qualification of business data and information, so that clients can seize the opportunities created by the digital economy based on data, sharing and collaboration. It also has an infinite learning capacity as a strong feature since its API (Application Programming Interface) is open, which allows any person or company to teach it new skills and create other application models on top of Carol itself.
- **Fluig Productivity and Collaboration Platform:** The Fluig platform aims at unifying systems, digitizing, simplifying the processes, and exponentializing companies' productivity, in a more fluid and intuitive experience. Launched in 2013, the TOTVS Fluig Platform is the evolution of productivity and collaboration solutions combined into a single platform, which enables creating and making feasible companies' innovation projects regardless of their legacy systems. This solution has a collaborative communication interface and storage of all its content in the cloud. Mobility is one of the main characteristics of Fluig, including a series of applications that revolutionize the company, such as Approval, where company decisions can be made with a single touch. Among its resources, the platform includes modeling and process management tools (BPM - Business Process Management), layout and portals creation (*WCM - Web Content management*), document management (GED), and identity management. In 2020, TOTVS will launch the TOTVS Fluig No-Code, an offer that democratizes access to technology in companies, enabling the creation of digital platforms without requiring users to know how to program. With it, anyone in a company can create different solutions without any help from the IT area, through a system designed so that the user can only choose and drag the components he/she needs for a project.

### **1.4 - Solutions for Micro and Small Businesses**

With its line of customized solutions for microbusinesses, TOTVS meets the challenges of managing a business efficiently and at low cost. These solutions are tailor-made for clients that seek cutting-edge technology, simple and fast implementation, and compliance with applicable legislation, all provided by a trustworthy supplier. We highlight below our solutions and segments served:

- **Eleve Sales:** Complete Point of Sale (POS) for clients and compliant with tax laws. It offers the Smart Card Machine (so-called "Maquininha Inteligente") for the small store or street sales that works as a cash front system directly on the device screen, making it possible to control inventory and sales on a daily basis and receive payments from major cards and flags accepted in the market. Another solution is the "Full Point of





Sale" (in Portuguese, "Frente de Caixa Completa"), intended to larger stores and sales at the counter, which allows a fast and high-quality service, and also features inventory control, cash closing and compliance with tax laws.

- **Eleve Management:** Financial Management aimed at service providers and resellers whose system allows full financial control, issuing of invoices, and monitoring service orders, with a powerful feature of accounts payable, receivable, everything available in the cloud, with direct access by cell phones and/or tablets. It allows the monitoring and control of cash flow with ease, in addition to control of purchases and inventory management.
- **Manufacturing:** It integrates the company's main areas, streamlining the information flow and enabling quick access to the data required for management.
- **Retail:** Complete automation for points of sale in the micro and small business segment. The solution comprises management systems and devices, all integrated and available at affordable costs, while simplifying compliance with tax obligations and being cloud-based, which makes for a simpler purchase and installation process.
- **Health Care:** A TOTVS solution for medical offices and clinics that provides quick and effective clinical and financial management.
- **Services:** A solution that enables clients to control cash flows taking into consideration purchase and sale orders, control of service orders with allocation of resources and products, control of inputs and outputs by cost center and profit center, and control of expenses and revenues by financial category.

## 2. TECHFIN PORTFOLIO

Our Techfin portfolio includes technology and innovation to expand, simplify, and make cheaper companies' access to financial services. We offer 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.

Our 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.

### Credit

- **TOTVS Antecipa:** TOTVS Antecipa is the TOTVS' account receivables financing solution. It is a more modern and different way of contracting, financing, and accessing accounts receivable, by easily viewing invoices from the portfolio that are open, and selecting those to be financed earlier, with the possibility of approving and releasing the financial resource on the same day, automatic reconciliation, without bureaucracy or complex processes. With this solution companies can keep positive cash flow and ensure more working capital.
- **TOTVS Mais Negócios (TOTVS More Businesses):** our clients and customers are able to create new payment plans in their TOTVS ERP in a simple and quick way. Sales made under these plans use the previously approved limit, ensuring that our clients/customers will receive the amount of those sales in advance, and still offer extended payment terms to their customers. All in an integrated way, without credit risk and without recurring default.



- **TOTVS Mais Prazo (TOTVS Extended Time Term):** Platform for granting extended time terms and installment plans for suppliers to pay their bills. Everything is 100% digital, done in a few clicks, with no bureaucracy. A solution designed to help our customers secure cash on hand and keep their accounts up to date.
- **TOTVS Consignado:** an innovative solution that simplifies the management of private payroll loans for employees, as it automates all stages of the human resources department, from contract creation to registration of payroll deductions. In addition, it simplifies the simulation, contracting, and monitoring of the request, the statement and credit balance by employees themselves.

## Payments

- **TOTVS Instant Payment:** This is a complete solution for receiving payment via the so-called PIX, a new payment method from the Central Bank of Brazil. This product allows companies to receive PIX quickly, simply, and at a low cost by offering lower rates than traditional payment methods. The receipt takes place in an account already held by companies, without the need to negotiate with financial institutions. Companies also have available automatic sales reconciliation.
- **TEF CLOUD:** This is a solution that combines payment methods with point of sale management, operating as a flexible and easy to operate payment terminal. The system runs 100% in the cloud and does not require to be installed on clients' own servers nor elaborate technology structures. It allows clients and customers to set up multiple acquirers and brands, including local and private label brands, providing greater flexibility and more payment options for their end consumers. It enables a more effective and secure control of payment entries, payment reconciliation, data integration directly with POS management, without the need for manual processes. TOTVS' TEF solution is natively integrated with the major retail products in the market, and also serves the Distribution, Self-Service, Hospitality and Educational segments.
- **EduConnectPAY:** educational institutions can now receive payments for monthly tuition and other services via credit card. Everything 100% integrated with ERP, with automatic reconciliation, anti-fraud, and recurrence. This means more convenience for parents and students, and less default for schools and universities.
- **TOTVS Digital Payment:** A solution created to allow companies to offer new means of digital payments to their customers, such as PIX and digital wallets, without the need to adhere to different systems and machines. With it, it is possible to carry out unified management of portfolios, reduce costs of administration fees, and receive money on time, in the company's account, without having to wait for clearing or settlement.

## Services

- **TOTVS Financial Panel:** Platform created to help the finance area to have a complete view of cash flow, accounts payable, accounts receivable and performance indicators in real time; in addition to evaluating custom periods and anticipating trends. In addition, it has a native integration with TOTVS Antecipa, allowing the TOTVS customer to request prepayment of receivables in a few clicks. All in a simple, secure and transparent way.

## 3. BUSINESS PERFORMANCE PORTFOLIO

- **Master CRM and Master Sales Platform:** platform focused on commercial intelligence that enables clients and customers to understand where they are positioned in the market and to structure a performance strategy aimed at increasing the productivity of their sales team, retaining customers and improving their market share through the analysis of data systematized and made available via dashboards of strategic sales indicators,



such as sales percentages, projections, targets, average profitability, sales history, payment history, product mix offer. TOTVS *MasterSales* is a disruptive, flexible application offered in the cloud, under the SaaS (Software as a Service) service model, accessible by companies of any size. It allows the improvement and automation of the entire sales team and its strategy, from demand generation to after-sales, in addition to greater sales predictability, management of leads, pipeline of negotiation processes, generation of forms for satisfaction surveys, price surveys, records of interactions and all the services provided to customers, among other benefits.

- **TOTVS Analytics Data and Analysis Platform (by GoodData):** A business analytics solution that presents data in a structured manner, consolidating the company's information into dynamic and intuitive dashboards that enable a very agile management of indicators and results, thus allowing for much safer decision-making. The tool is 100-percent available from the cloud, which means zero spending on infrastructure. It provides indicators and reports in a single place, in a practical and speedy way, eliminating the need to access several different sources, as it is already integrated into TOTVS ERP, with more than 300 reports and indicators ready and available.

#### **4. SERVICES PORTFOLIO**

**4.1 Software Implementation:** The TOTVS implementation team deploys only solutions sold by the Company using the TOTVS implementation methodology, which provides the guidelines, methods, standards and stages to be followed from the start of services to the post-implementation quality controls.

TOTVS's own units and franchisees follow the TOTVS implementation methodology at all sites, using the same techniques to perform tasks and the same tools to implement the TOTVS software solutions.

**4.2 Cloud Computing:** Offering for hosting TOTVS solutions in an owned or third-party Datacenter, including a comprehensive range of value-added services, such as environment preparation, provision of infrastructure, hardware (servers), operating system, database, applications, technology environment management, backup management and monitoring, and server monitoring.

**4.3 Corporate Education:** Educational Solutions that use cloud-based environments for exercising and contents and infrastructure for knowledge management and job training, either face to face or remotely. Designed for clients and institutions requiring intensive knowledge dissemination and certification processes that are centralized or geographically distributed.

**4.4 Consulting:** TOTVS Consulting consists of strategic business management and information technology consulting teams based in São Paulo, Rio de Janeiro, Belo Horizonte and Brasília and serve clients throughout Brazil.

#### **b. revenue from the segment and its share of the issuer's net revenues::**

The presentation of information by operating segment is consistent with the internal report provided to the key operational decision-maker, and until December 31, 2018 our Management valued the business as broken down into two business units: Software and Hardware.

As of October 24, 2019, the Company classified the assets of its hardware business units as available for sale and, as a result, started valuing the business as one cash-generating unit, which is Software. For the past three fiscal years, the Company's revenue lines accounted for the following share of its net revenues:



Fiscal year ended on December 31,			
In thousand of <i>Reais</i>	2020	2019	2018
<b>Recurring</b>	1,954,093	1,729,218	1,547,192
<b>Non Recurring</b>	513,866	552,906	563,968
Licenses	222,033	213,915	177,723
Services	291,833	338,991	386,245
<b>Net Revenues</b>	<b>2,596,077</b>	<b>2,282,124</b>	<b>2,111,160</b>
Recurring	1,954,093	1,729,218	1,547,192
Non Recurring	513,866	552,906	563,968
	<b>2,467,959</b>	<b>2,282,124</b>	<b>2,111,160</b>

**c. profit or loss from the segment and its share of the issuer's net income:**

The revenue concentration level shown in item 7.2b is also seen in the Company's net income.



### 7.3 - Information on products and services related to operating segments

#### a. production process characteristics:

##### Research and Development

TOTVS seeks to meet the market demand for software and services, which reflects in the continuous efforts of its research and development department to develop state-of-the-art software and services.

The core objectives of the Technology and Development are:

- to improve the technical fundamentals of our software, enabling a more efficient development of solutions;
- to adopt new technologies and assess their impact;
- to implement alternative technologies that keep the operation of our products secured and protected;
- to constantly improve the design, functionality and usability of software products;
- to develop special products for clients;
- to constantly seek new development methodologies in pursuit of software agility and quality;
- to integrate third-party tools; and
- to constantly assess new organizational models and their applicability.

The Company also invests in the development of new products to access new markets. To identify which products should be developed, TOTVS constantly carries out market surveys aimed at identifying business segments that require tailored solutions, and then develops solutions focusing on such segments. The surveys are also used to analyze, in conjunction with sales channels, potential segments that could help increase business volumes.

The modular arrangement has been essential to TOTVS's growth strategies for encouraging internal and external developers (small software and application developers and tech startups) to develop applications that run our chief solutions (ERP, HR and Tax).

Currently, TOTVS's structures focusing on research, development and innovation activities are as follows:

**R&D CENTERS** - Specializing in the Company's 12 strategic business segments, these centers have experts who understand the specific challenges and needs of each segment, translating them into solutions that are innovative and in line with the core business of our clients. Each center has teams specializing in product and development, support, customer service and relations, and implementation and other services.

**UX LABS** - UX Lab is the TOTVS User Experience Laboratory, located in Sao Paulo, SP (Brazil), bringing together in its space of approximately 200 sq. m a team of researchers and designers exclusively dedicated to exploring opportunities for innovation, market trends and improving the experience of using our solutions and services through constant research, validation with clients and customers, and collaboration. At the Lab, projects are conducted using the *Design Thinking* approach, and involve sympathy, collaboration and creativity, aiming at discovering new solutions based on our clients' and customers' needs, constantly improving processes, revising the interfaces and the navigability of our products, the unification of the identity and unique experience of our solutions, and the dissemination of the culture of Design to associates, clients and customers.

**IDEXO (Institute of Exponential Ideas)** - This is the front of open innovation and connection with startups at TOTVS. It has over 80 startups that serve the 12 segments of the economy in which the company operates, such as: HR, Education, Logistics, Hospitality, and Health, among others. iDEXO allows TOTVS to expand its portfolio offering to the market. Just for us to have an idea, over 360 clients/customers of the company have already had their business challenges solved by a community startup, generating innovation, cost reduction, and process optimization for everyone involved: TOTVS, clients/customers, and startups. Learn more at: [www.idexo.com.br](http://www.idexo.com.br).

**TOTVS LABS USA** - Innovation Center located in Raleigh (North Carolina, United States of America), close to Research Triangle Park (RTP), the largest scientific research park in the USA and in a region with a thriving



technological environment and a great supply of talent, which is focused on creating disruptive solutions in line with the most modern technology trends related to Big Data, Mobile, Social Media, and *Cloud*. TOTVS Labs also works to find new business models and startups, establishing strategic partnerships and transferring knowledge to other TOTVS business units. The key technologies worked at Labs involve Artificial Intelligence, Computer Vision, Natural Language Processing, Distributed Computing, 3D Printer, Robotics, Virtual Reality, Augmented Reality, and UX Design.

### **Agile Software Development**

Tuned in to the main global trends in software development, TOTVS has been evolving significantly in agile software processes and tools by implementing the agile software development process in all of the Company's business segments using the SCRUM and Lean methodologies with the teams developing TOTVS products software (Innovation, Maintenance and Testing).

The initiative represents a significant disruption in the software development process because it radically changes the way in which we used to think and develop our products, sparking important reflection not only on processes, tools and technologies, but also on the people involved and their respective roles, which are now more integrated and more decisive to the quality of the end product, irrespective of their hierarchic level or the job they do during the creative process. It is based on this principle that we foster an end-to-end integration of all professionals in the Innovation, Maintenance and Testing teams.

Under the agile model, with the integration of our teams, we build a highly collaborative process involving professionals with an interdisciplinary vision and devoted to developing the best solution and enjoying greater creative liberty. Furthermore, we now are more focused on planning on what is to be developed, which enables product objectives to be better absorbed through the deployment of squads, thus delivering a more consistent process, reducing the chance of errors and product rework, and making higher-quality, value-added deliveries to the end client. We currently have approximately 185 squads.

Over the course of the years, TOTVS has consolidated its leadership position in the ERP software market for small and medium-sized businesses. Our investments in research and development, which added up to more than R\$1.1 billion in the last three years and in the three-month period ended December 31, 2020, as shown in the table below, have been key to setting TOTVS apart from the competition by providing innovative solutions based on proprietary technology, as well as value-added services.

<b>(in Thousand of <i>Reais</i> (R\$), except%)</b>	<b>Fiscal year ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Net Revenues	2,596,077	2,282,124	2,111,160
Research and Development Expenses	(431,348)	(397,824)	(382,078)
% of Net Revenues	-16.6%	-17.4%	-18.0%

### **Components used in the preparation of integrated management software offerings**

The integrated management software solutions described in item 7.2 are built from the integration of components originated from product lines of different technology platforms according to the source of their development, such as the Protheus, Logix, RM, Datasul, Financial Services and other lines acquired by TOTVS and incorporated into its portfolio.

### **Technology platforms used**

TOTVS Platform is the Company's technology platform that supports the development of TOTVS software solutions, as well as management, business and collaboration solutions.





Historically, TOTVS has been developing the TOTVS Platform to ensure its technology independence, offering proprietary development languages and running environments that support existing software developers and provide new functionalities and features for our software solutions. This includes hardware platforms and operating system options, as well as the choice of databases and processing and load distribution models across execution environments. This strategy has enabled TOTVS to become one of the few software companies in the world to own this type of technology.

TOTVS currently meets the various application infrastructure requirements of both on-premise and cloud-based models. TOTVS Platform is the Company's response to the need for a Platform as a Service (PaaS) and lays the foundation for the Software as a Service (SaaS) offering, while being complemented by value-added offerings to need Infrastructure as a Service (IaaS) needs.

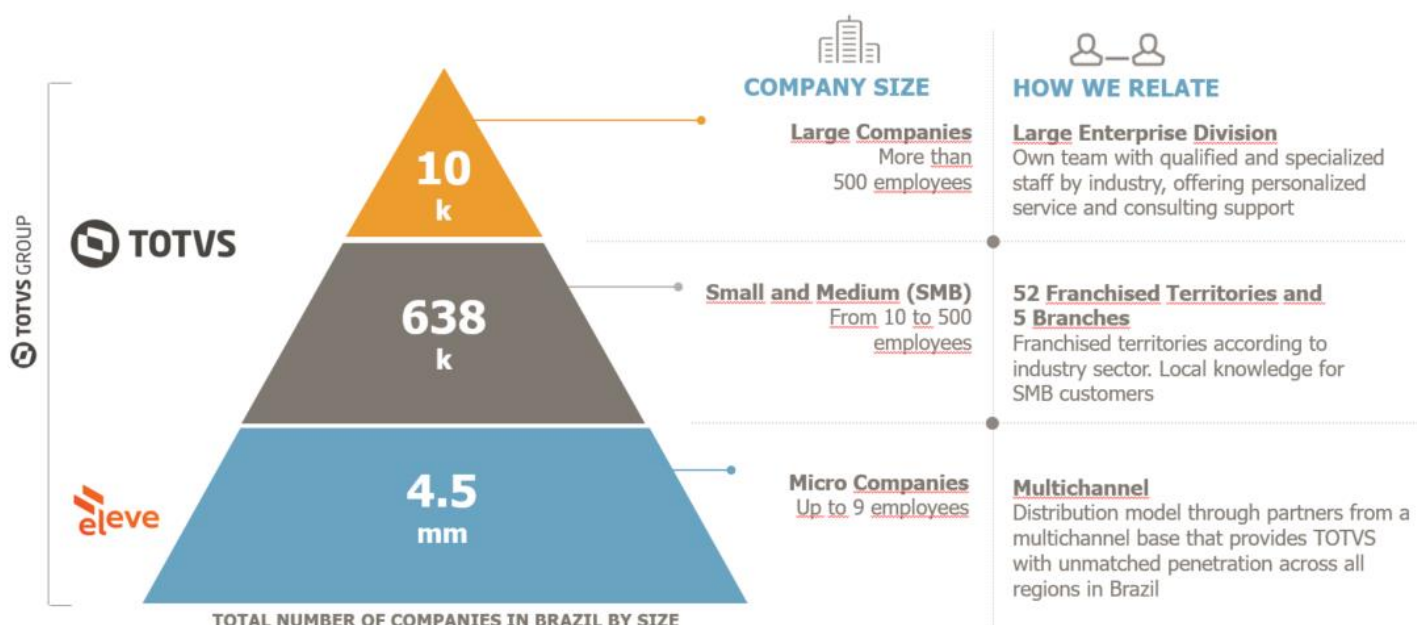
TOTVS uses the following programming languages: ADVPL (currently TL++), used in the Protheus product line; and 4GL, used in the Logix line. The TOTVS Platform infrastructure ensures compatibility and adaptability of TOTVS solutions to the various operating systems, databases, architectures and network topologies.

TOTVS believes it is the only company in Latin America to have developed a middleware solution, which is known as TOTVS Platform. This middleware solution is also used by associated companies. The middleware used by the Company ensures its independence from: (i) interface; (ii) technology platform; (iii) topology (physical installation of and communication between the computers used by the Company); (iv) connection (communication between computers); and (v) database, protecting clients against any conflict with their operating platforms. In addition, the middleware domain enables the Company and its clients to build a hardware, operating system, network system and database system suite that best suits their preferences, technical needs and investment capacity.

Components of the RM line are developed using Microsoft and Borland technology, while the development platform used is Microsoft .NET. This platform provides us with greater exposure to the technologies available on the market. In the Datasul line, components are developed using Progress, Java (J2EE) and also TOTVS Platform technologies for both language and platform.

## b. distribution process characteristics

The Company's strong distribution activities have been supported by its nationwide franchise model, which enables a broad, customized system to be implemented for selling solutions to small and medium-sized businesses.





## Strategy for Large Clients

TOTVS has its own client care and relationship structure for large clients and for those who are expanding or digitizing their business or changing their business model. Our structure provides advisory through a team of professionals specializing in different business segments and having the skills to enable the client's digital journey.

Our service is provided by skilled professionals and tailored to each client, and comprises prospection, drafting of proposals, designing of products and offerings, implementation methodology and post-implementation service structure.

## Strategy for Small and Medium-Sized Clients

TOTVS licenses and subscribes its software using a combination of sales via direct channels (owned units, subsidiaries or branches) and indirect channels (franchises, representation arrangements, authorized resellers and business agents), with franchising standing as the leading indirect channel. The relationship with indirect sales channels increases TOTVS's market penetration, both domestically and internationally.

On consolidated terms, TOTVS uses the following client service and relationship channels:

**Owned units:** TOTVS has five units of its own in Brazil (Brasília, Belo Horizonte, Rio de Janeiro, Recife, and São Paulo) and, in the international market, units in Argentina, Colombia, the United States and Mexico.

**Franchises:** TOTVS has 52 franchised territories in Brazil and several channels in Latin America.

Franchises are exclusive distribution channels and based on the TOTVS franchise system (Sistema TOTVS de Franquia, or STF). The STF defines the geographic regions of operation for each franchise, where exclusivity is granted by line of business (segment). In the regions where they operate, franchises prospect for clients, carry out demonstrations of solutions (pre-sales, sales and post-sales), negotiate terms of sale (within the limits previously set by TOTVS), and provide training, implementation and customization of solutions to the clients' needs, given their local presence and proximity to those clients.

Franchises are paid a percentage commission on license revenues, and there is a special commission for franchises that also receive commission on subscription and maintenance revenues generated by clients based in the territories where they operate, in addition to directly invoicing them for the service provided.

TOTVS's own units serve as reference for the operating, commercial and technical activities of franchises. TOTVS has a department to control, monitor and coordinate franchises, which provides advisory services and monitors their operations, as well as their commercial, administrative and marketing strategies. The activities of franchises are also controlled by satisfaction surveys conducted with clients served by all TOTVS sales representatives.

## Strategy for Micro and Small Businesses

**Resellers (TOTVS):** TOTVS has a multichannel strategy dedicated mainly to selling software to microbusinesses. Larger resellers carry out their own invoicing and logistics, while for small and medium-sized resellers, direct billing and logistics are run by one of its distributors.

## Marketing

In 2019, the efforts of the Marketing area were aimed at positioning on innovation, technology, and complete business solutions for each of the twelve segments that represent the main sectors of the economy, in addition to generating opportunities for selling software.

We also highlight the continuity of the brand building work, with the strengthening of the communication strategy going beyond the traditional audience of technology professionals, but also adding a new universe of business,





marketing and sales managers, who become potential buyers of the Techfin and Business Performance solutions that TOTVS has been developing. One of the main hallmarks of this strategy is the campaign called "TOTVS believes in a Brazil that GETS THINGS DONE". Such campaign aims at highlighting the journey of TOTVS as one of the Brazilian companies that believe and invest in Brazil and that are a reference in their sectors.

In addition, as our hardware operations were discontinued as of January 2020, the solution for micro and small businesses formerly known as Bemacash was renamed, and now it is ELEVE. Such new brand arrives with the purpose of reinforcing our commitment to raise the bar of micro and small businesses' management, offering an agnostic software solution, that is, usable in any type of device, so that entrepreneurs can perform a more efficient management of their businesses.

### **Alliances and Partnerships**

TOTVS invests heavily in strategic alliances and partnerships with the major and most renowned global companies in the technology industry, and also in other segments related to the Company's businesses and markets. The strategy is to expand TOTVS' capacity of developing the market and providing new offers with external innovation, seeking to deliver to clients and customers the technology and business solutions required to support its value chain and increase efficiency and profitability.

The formalization of such strategic alliances and partnerships aims at: (i) promoting the exchange of technology between companies, allowing TOTVS to have access to the cutting-edge technology developed by such allies and partners; (ii) developing joint actions of marketing, dissemination and business generation; (iii) expanding the portfolio of offers and solutions; and (iv) taking advantage of the existing synergy between TOTVS' products and brands and those of its allies; (v) expanding the use of TOTVS technology to other companies, partners, clients or customers.

The business nature of TOTVS' strategic alliances are the technology solutions, and are represented especially by global companies such as Microsoft, IBM, Progress, and Oracle, among others. In addition to such strategic alliances, TOTVS also adopts the partnership model as a way of leveraging businesses and reducing the product development cycle.

The key partnerships are companies that: (1) have a business solution that strengthens TOTVS' value proposition in the market it operates, preferably one that can be integrated with TOTVS solutions; or (2) develop business solutions using TOTVS technology. Some companies partnering with TOTVS use the ADVPL language.

Such partnerships are formed with companies operating in market sectors that, directly or indirectly, can bring benefits to TOTVS, either through the dissemination of its products and services, by simply indicating TOTVS brands to its customers and clients, or by the fact that the products and services offered by such companies generate value for TOTVS products and services, in the segments in which they do not compete.

Besides leveraging the current partnerships in the ecosystem, TOTVS has executed new strategic partnerships such as Mercado Livre (one of the market leaders in Brazil according to the 2021 Ebit Survey), reinforcing the omnichannel strategy and an increasingly integrated and fluid experience for the end customer, BMI (Blue Management Institute) a reference in strategy, culture, and leadership for organizations, and Credits, with the purpose of democratizing and making cheaper the access to private payroll-deductible loans one of the pillars of Techfin's strategy.

## **c. characteristics of the markets served, particularly:**

### **i. The Software Market**

#### **World**

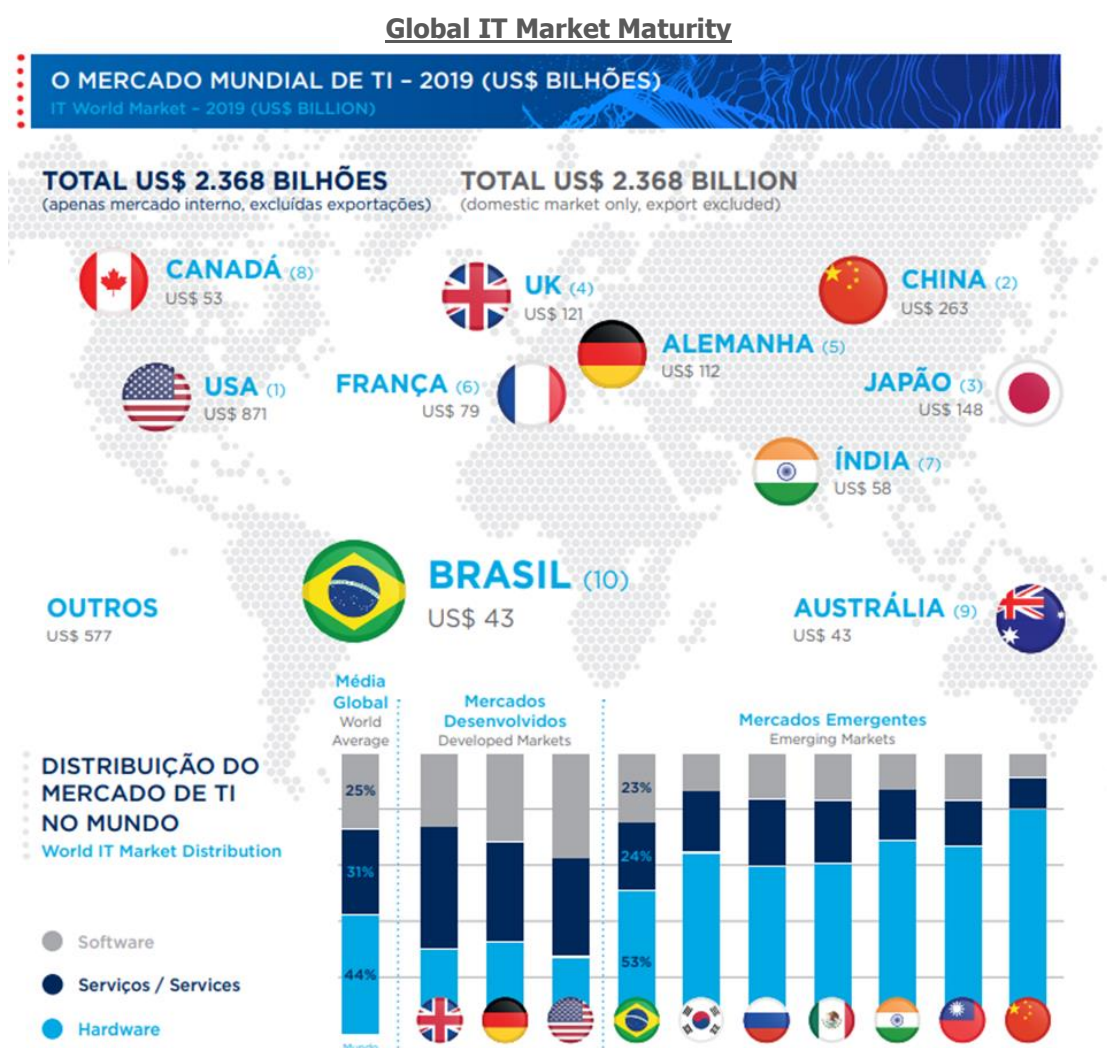
Information technology has been used to optimize business processes and benefit companies of all sizes in practically all industries and all over the world. The automation of business processes, especially using computer hardware and software, has been reducing inefficiencies and increasing productivity in all globalized business



segments. Various software application categories have been developed to optimize the efficiency of certain aspects of a business by automating sales, marketing, manufacturing, distribution, customer support, accounting, financial management, human resources and other tasks until then left to manual processes. For example, human resources management software is currently used for maintaining and storing employee records, which makes for easier payroll and benefits management, as well as for issuing tax statements and reports, among many other tasks that, although routine and exhaustive, are essential to the companies. Over time, those different software application categories were integrated into suites with a view to further facilitating business operations by sharing information from the various functionalities. The two main classes of integrated enterprise management software suites are ERP and CRM. As a rule, ERP suites are focused on administrative or back-office functions, such as management of human and financial resources, while CRM suites cover functions involving direct relationship with clients, or front-office functions, such as sales, marketing and customer support.

According to the IDC, the software segment accounted for 25 percent of the entire global IT market (software, services, and hardware) in 2019. This global IT market, excluding export, hit the mark of US\$2.36 billion, with Brazil ranking 10th among the world's largest markets with a total size of US\$43 billion.

The global market has seen software and services hold a bigger share in the total IT market in developed countries by comparison to emerging ones. Out of the group of emerging countries, Brazil is the one whose reality is closest to that of developed nations and to the world average.



Source: Abes (2019).



In 2019, the IT sector grew by 5.0% worldwide, while in Brazil the growth reached 10.5% and reached R\$161.7 billion (US\$44.3 billion), considering the markets of software, services, hardware, and also exports in the industry.

During the period, IDC identified approximately 21,020 companies operating in the sectors of Software and Services around the world, with the following segmentation: 26.3% in development and production, 32.0% in distribution and commercialization, and 41.7% in services provision. Among development companies, only 0.5% are considered large sized (more than 500 employees).

Companies are investing more and more in technology to improve their efficiency, productivity, relationships with customers and capacity to innovate. TOTVS sees in this movement an opportunity to leverage its unique position as the leading ERP player in Brazil.

Additionally, over the past few years, TOTVS has launched five platforms that are complementary to the ERP suite: fluig (Management, Productivity and Collaboration), Carol (Artificial Intelligence), TOTVS Analytics (Business Intelligence) and TOTVS CRM — all of which developed with an agnostic approach, meaning ready for integration of TOTVS solutions with other market solutions, thus expanding the addressable market beyond TOTVS's own client base, and has been making progress in the construction of an ecosystem of solutions beyond the dimension of (i) Management – with a portfolio of open, connected, and customizable ERP, HR, and Vertical solutions and platforms; it encompasses the dimensions of (ii) Techfin, with products of credit, payments, and services; and (iii) Business Performance, with sales and performance solutions.

## **Latin America**

According to the IDC, 2019 saw the IT market in Latin America reach the level of US\$106 billion, and Brazil was the leading player, with a 40.7-percent share, followed by Mexico, with a 20.5-percent share. The substantial difference in both size and maturity of Brazil's IT market compared to those of other Latin American countries has been a cornerstone of the country's expansion in these markets.

## **Brazil**

The Brazilian market for information technology has grown rapidly in the past several years.

According to the IDC, the IT market in Brazil was worth US\$43 billion in 2019. The software segment accounted for US\$10 billion, 23.3 percent of which corresponding to software developed within the country.

While the tech market has significantly evolved in the past few years, it continues to be highly concentrated in Brazil's Southeast region, according to IDC data for 2017. Accounting for 61 percent of the distribution, the Southeast is still far ahead of the other regions, with the South accounting for 13 percent, 11 percent in the Midwest, 10 percent in the Northeast, and 5 percent in the North. In addition to that regional concentration, nearly half of the identified potential market is focused on companies with fewer than 500 employees, which, altogether, represent a majority of the companies using these resources.

Integrated business management software products, known as ERP tools, have been proving indispensable to business administration, and the SaaS (Software as a Service) system has lately gained significant ground in the marketplace compared to the traditional license purchase system. However, the two of them are to coexist in order to meet the needs of most varied of clients.

The Brazilian IT market comprises several work fronts—communication services, mobile phones, PCs and tablets, printers, datacenter systems, IT services, business management software and infrastructure software. Among the largest business software user markets, the most prominent are the financial, manufacturing, retail and telecommunication sectors, which together represented 86 percent of the market in 2017 according to the IDC.



## History of the Software Industry in Brazil

During the 1980's and early 1990's, Brazil had a market reserve policy in place that set different rules for hardware and software products created/manufactured by domestic and foreign companies in an attempt to create a domestic computer industry. In reality, the market reserve proved detrimental to the development of computer hardware in Brazil because the hardware manufactured in the country was limited and technologically outdated, as well as rather expensive compared to products made in other countries. For software, however, the market reserve was not detrimental, in that it kept up the competition between domestic and foreign software products. The development of the country's software industry played out on the back of technology-based partnerships with providers of basic software and operating, network and database systems, so as to prepare the industry for the end of the market reserve. In the aftermath, whether thanks to the creativity of Brazilians or the ease with which they assimilate new technologies, Brazil's software industry became an international benchmark in certain segments, such as banking automation and the use of the Internet for the most varied relationships. Brazil is technologically independent in several software development areas.

In 1993, the Brazilian government took an important measure in connection with the software industry: the SOFTEX 2000 program (National Export Software Program), which aimed to facilitate the entry of Brazilian companies in the international software market through export incentives. The program was coordinated by the CNPq (National Council on Scientific and Technological Development), and had the participation and representation of Brazilian software companies, and funding by the government and the United Nations Development Programme. In the period from 1993 to 2001, the program achieved the following results, among others:

- Implementation of Quality Systems in companies, introduction of Assessment Methods for products, and inducement to adherence to international software quality standards—more than 100 domestic software companies implemented ISO 9000 quality management systems;
- Creation of credit facilities specifically for software—more than R\$74 million for 52 companies;
- Creation of a network with 32 agents materializing 23 Software Development Centers in Brazil;
- Implementation of a network of 19 business incubators associated with the country's leading academic institutions;
- Contribution to the creation of 73,000 direct jobs for skilled workers.

The Association for the Promotion of Excellence in Brazilian Software (Softex for short) evolved into a Public Interest Civil Society Organization (OSCIP) that carries out the Federal Government's public policies for the IT industry. The actions performed by the entity are aimed at fostering improved competitiveness in the Brazilian Software and IT Service Industry (IBSS) and the training of human resources. The Brazilian Software Excellence Program of the Ministry of Science, Technology, Innovation and Communications has been managed by Softex since 1996.

Currently, the Softex System benefits approximately 6,000 companies in 13 states through its network of 23 agents working in conjunction with the private sector, the public sector and technology-fostering academic institutions. Softex lists its currently guidelines as follows:

1. Implementing software development best practices.
2. Training human resources for the industry.
3. Leveraging financial resources with public and private fund sources.
4. Producing and disseminating quality information on the Brazilian Software and IT Service Industry.
5. Entrepreneurship and innovation.
6. Creating policies in the industry's interests both in Brazil and abroad.
7. Creating and developing business opportunities both in Brazil and abroad.





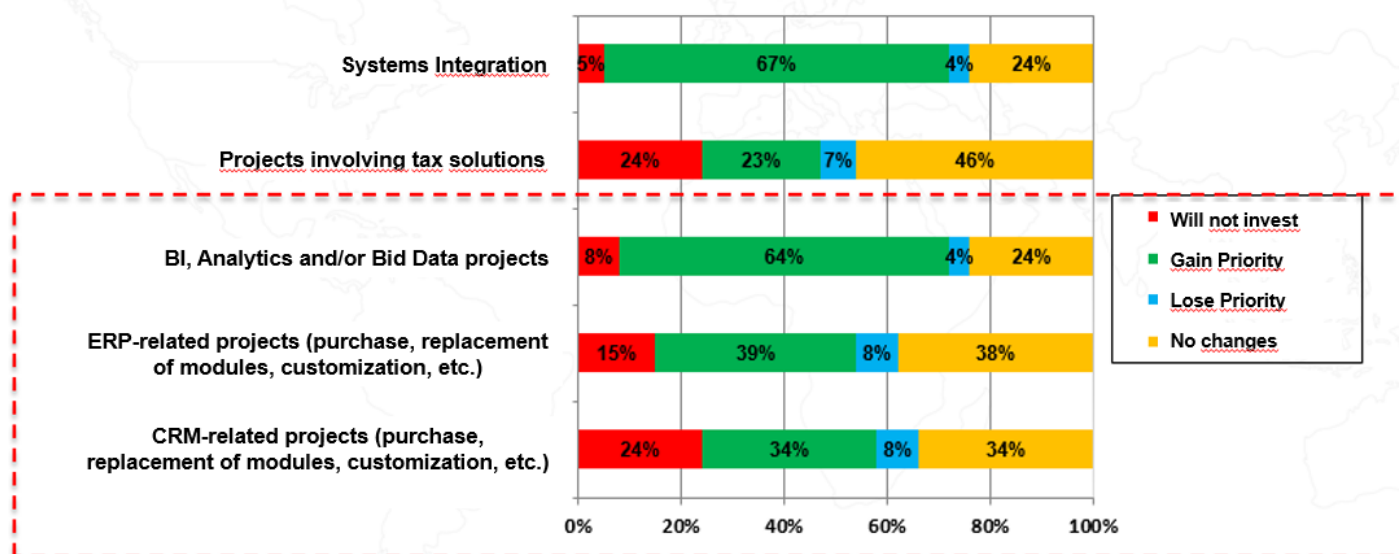
## ii. share in each market

Essentially, TOTVS is engaged in the business of developing and selling integrated management software and, according to "Software Market Share Enterprise Application 2020" issued by Gartner, it has a 30.1-percent share in the Latin American market and a 50.2-percent share in the Brazilian market for ERP systems.

In addition to the ERP market, TOTVS has a strong presence in the supply chain management (SCM) market, with a 20.3-percent share in Brazil, according to that same study.

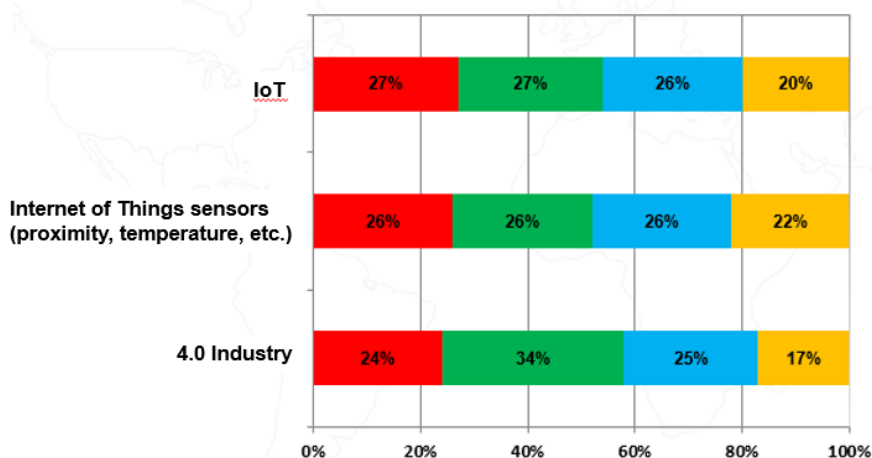
The Company has other initiatives in other segments of the enterprise application software (EAS) market, which shows great potential for growth, but it currently holds a less significant share in it. Such initiatives include Master Sales, Ciashop, TOTVS Analytics, Carol, and fluig. With Gooddata and Carol, by 2019 TOTVS had already achieved a 5.3-percent share in the analytics market.

These segments boast great growth potential as they have become an investment priority for the Company, which invests both in well-established segments and in new technologies. While BI and CRM have been given more priority over the past few years, ERP continues to be a core investment target in Brazil.

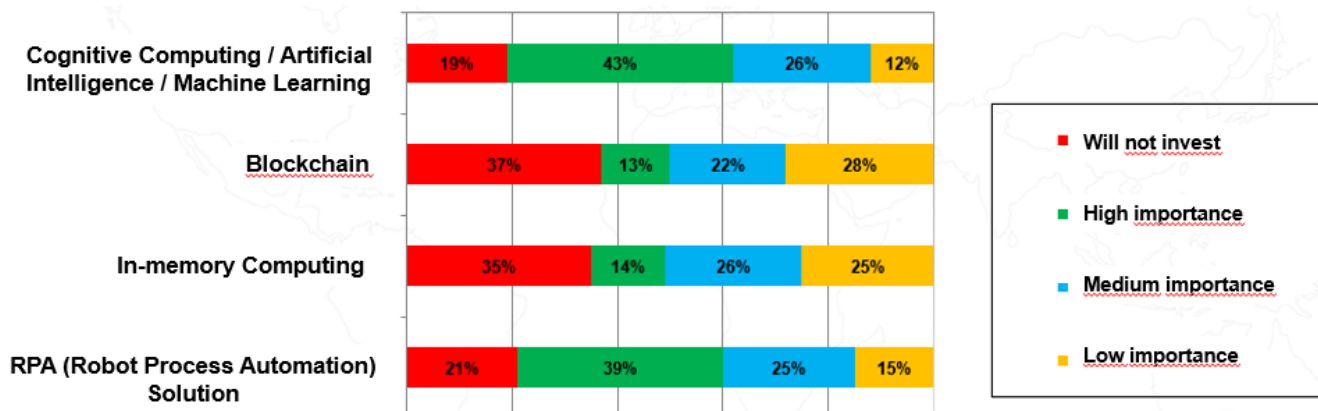


Source: IT4CIO.

As for new technologies, Artificial Intelligence and the IoT (Internet of Things) stand out as the primary targets of business investment intentions.



Source: IT4CIO.



Source: IT4CIO.

### iii. market competition conditions

The Company's competition includes suppliers of enterprise management software (such as ERP, CRM and BI), collaboration products and business intelligence products, as well as companies engaged in advisory services. We should point out that the Brazilian software market does not impose any barriers or restrictions to the entry of foreign competitors.

The software industry is highly competitive. TOTVS competes with Brazilian and foreign software companies. Some of the Company's competitors also serve business segments other than enterprise management, such as infrastructure software, security software, databases and cloud computing, among others. It is also worth noticing that the market dynamics has been moving towards a natural trend towards building ecosystems that translates into less borders between economic sectors, with the number of competitors growing in addition to traditional competition in recent years, that is, with more companies offering activities similar to those of TOTVS, for example fintechs, banks, and ecommerce companies, which have been expanding their field of activity to provide more services to clients - including business management software solutions.

Clients in the enterprise management software market include large, medium-sized and small businesses. Each of these groups can have different needs and be at different maturity stages in connection with the use of technology, which results in different characteristics in terms of competitive conditions.

TOTVS provides solutions to companies of all sizes.

### d. occasional seasonality

The information technology industry, particularly on the software front, has no relevant seasonality.

### e. key inputs and raw materials, informing:

#### i. description of relationships with suppliers, including whether they are subject to government control or regulation, with an indication of the relevant agencies and applicable laws:

TOTVS's development activities are concentrated in its own team of professionals. However, the Company teams up with suppliers and partners to develop some of its software solutions, as well as suppliers of databases that are resold to clients, and providers of technology platforms. There is no government control or regulation on these relations.



**ii. possible dependence on few suppliers:**

TOTVS uses third-party technology to develop part of its software and technology components, particularly those in its RM and EMS Datasul product lines, which are based on the Microsoft .Net and Progress platforms, respectively. For more information, see item "7.3.a. Technical platforms used".

**iii. possible price volatility:**

Historically, the prices of TOTVS software and services have not shown significant volatility.



#### **7.4 - Clients accounting for over 10% of total net revenue**

##### **a. total amount of revenues from client**

There are no clients who individually account for more than 10 percent of the Company's net revenues.

##### **b. operating segments affected by revenues from client**

There are no clients who individually account for more than 10 percent of the Company's net revenues.





## 7.5 - Material effects of state regulation on activities

### **a. governmental authorizations required for carrying out activities and history of relationship with the public administration for obtaining such authorizations**

The Finance Departments of several Brazilian states require the Company to obtain government approvals to market certain hardware products (including micro-terminals, issuers of cashier's receipt (ECF) and SAT Fiscal) and software products (tax applications and Electronic Tax Invoice), according to acts and agreements signed by the Ministry of Finance through the COTEPE (Permanent Technical Council of the Ministry of Finance). Tax devices are certified according to these rules, and tax applications are certified by registered institutes. There are also decrees and state ordinances regulating activities in the States. Some products are also regulated by ANATEL (National Telecommunications Agency), and require specific certifications to be used and sold.

Similar situations also occur when other technologies are introduced. For example, the ECF under ICMS Agreement 09/09 (tax printer) became mandatory in the State of Santa Catarina. It is worth stressing that the so-called NFC-e (digital invoice issued to consumers) is adopted in the vast majority of the Brazilian territory, with the exception of the states of Sao Paulo, Santa Catarina and Ceará.

### **b. issuer's environmental policy and costs incurred for compliance with environmental regulations and, if applicable, other environmental practices, including adherence to international environment protection standards**

For software and services activities, the Company is currently not subject to any environmental regulation, hence it does not have an environmental policy. In May 2014 TOTVS adhered to the United Nations (UN) Global Compact, an initiative planned for companies committed to aligning their operations and strategies with the ten universally-accepted principles in the areas of human rights, labor, environment, and anti-corruption.

### **c. dependence on patents, brands, licenses, concessions, franchises and royalty agreements relevant to the business**

TOTVS uses third-party technology in the development of certain components, as set out in item 7.3.e.ii. For more information on this issue, see Section 9.1 of this Reference Form.

**Software Registration:** TOTVS's Legal department is responsible for software registration with the INPI (National Institute of Industrial Property). The software copyright is born with the very creation of the program, regardless of registering a patent thereof, and is protected pursuant to the terms of the Software Law (Brazilian Law 9609/98) and the Copyright Law (Law 9610/98), and the Brazilian agency responsible for receiving and registering patent applications is the so-called INPI (National Institute of Intellectual Property), which is governed by Decree No. 2558/98. The registration of software, although not mandatory, ends up working as an important tool to prove to the Judiciary who developed certain software, and can be very useful as a evidence of authorship in lawsuits dealing with unfair competition, unauthorized copies, piracy etc. In addition, aiming at guaranteeing exclusive rights of development, use, and sale of a computer program, the interested party must prove its authorship; therefore, its registration with the INPI is of great importance. The protection of rights connected to computer programs is ensured for a period of 50 years, counting from the 1st day of January of the year subsequent to that of its publication or, in its absence, of its creation.

**The Process at TOTVS:** The internal TOTVS area, which intends to register Software, activates the legal department. It collects all information and intermediates the registration process with the INPI, using the services of specialized third parties.



## **7.6 – Material revenues from abroad**

### **a. revenue from clients in the issuer's country of origin and its share in the issuer's total net revenues**

For the fiscal year ended December 31, 2020, net revenues earned in Brazil (the issuer's country of origin) represented approximately 97 percent of the Company's net revenues.

### **b. revenue from clients in each of the other countries and its share in the issuer's total net revenues**

For the fiscal year ended December 31, 2020, net revenues earned abroad represented approximately 3 percent of the Company's net revenues.

### **c. total revenue from other countries and its share in the issuer's total net revenue**

For the fiscal year ended December 31, 2020, net revenues earned abroad represented approximately 3 percent of the Company's net revenues, and much of the revenues earned abroad is concentrated in Argentina and Mexico.



### **7.7 - Effects of foreign regulations on activities**

Given that revenues earned abroad represented approximately 3 percent of total net revenues for the fiscal year ended December 31, 2020, as mentioned in item 7.6, the Company believes that foreign regulations have no significant effects on its activities.



## 7.8 – Social and environmental policies

### a. if the issuer discloses social and environmental information

#### i. Does the issuer publish sustainability reports or similar documents?

The Company has been issuing its Integrated Report since 2016, providing unified information on its economic, social and environmental performance. It also publishes since 2014 the Communication on Progress of the UN Global Compact. Currently, such publications are not audited.

#### ii. Does the issuer have a social and environmental policy in place?

The Company keeps its commitment to protecting the environment, as set forth in its Code of Ethics and Conduct, which can be found on the Company's investor relations website (<http://ri.totvs.com/>). Since 2014, TOTVS has been a signatory to the United Nations Global Compact and annually reports its results and advances on the issues that make up the commitment undertaken by the company, reaffirming the commitment to align our business decisions, products, services and operations anchored in the guaranteeing human rights, promoting the agenda of diversity and inclusion, establishing healthy labor relations, respecting and conserving the environment and combating all forms of corruption.

In 2020, as part of the development of the ESG Agenda (Environmental, Social, and Governance) we disclosed in December the Sustainability Policy, which reflects the purpose and vision of the TOTVS Group on how its businesses can positively influence and affect its ecosystem by connecting businesses, people, and technology that has sustainability as a value proposition. Such document reflects our commitment to a business agenda based on integrating economic, environmental, social, governance, and relationship aspects with its ecosystem and brings internal governance to address this topic, which is led by the Governance Committee and the engagement of the Board of Directors.

### b. methodology used to prepare the information

The Company adopts the Global Reporting Initiative (GRI) methodology, the Integrated Reporting guidelines of International Integrated Reporting Council (IIRC), the 10 Principles of the Global Compact and the UN Sustainable Development (SDG).

### c. if that information is independently audited or reviewed

The social and environmental information is not audited by any independent entity.

### d. website on which such information can be found

The versions of the Integrated Report for the years 2017, 2018 and 2019 are available on the CVM website (<http://www.cvm.gov.br/>) and on the Investor Relations website (<https://ri.totvs.com/>, "Financial Information" tab). The publications of the Company's UN Global Compact Progress Communication can be accessed directly on the UN portal (<https://www.unglobalcompact.org/>).

## Other Initiatives

### Private Social Investment

#### Institute of Social Opportunity (IOS)

Established in 1998 on the initiative of employees of former Microsiga, currently TOTVS, the Institute of Social Opportunity (IOS) was born with the mission of providing young people in social vulnerability and people with



disabilities access to technology through job training programs especially focused on employing skilled professionals in the economy of the future.

The IOS is a non-profit organization offering free training in business management and information technology, with practices in Digital Education, Citizenship, Sustainability, Mathematics, Communication and Expression, Soft Skills, as well as psychosocial follow-up through a multidisciplinary team (psychologists, social workers and educational psychologists). The Institute's target audience is composed of young people in social vulnerability and People with Disabilities aged 15 to 29 years, 90% from public schools, 57% women and 57% black, expanding social inclusion to minority populations.

Over its 23 years of existence, the IOS has expanded its work in the State of São Paulo (Interior and Greater São Paulo area) and in the States of Minas Gerais, Santa Catarina, Rio de Janeiro, Rio Grande do Sul, Paraná and Pernambuco. Over such period and in those locations, over 36 thousand students passed through the Institute. Every year more than 2 thousand young people are trained and, out of such, on average 1,000 become employees of partner companies from different segments and by TOTVS, generating a strong direct social impact in more than 4 thousand people per cycle.

In 2020, which was an atypical year caused by the COVID-19 pandemic, IOS faced the challenge of digitalizing all its courses and continuing to promote opportunities for professionalizing educational training for its beneficiaries. Through the support of TOTVS and TOTVERS in a campaign held in July 2020, we managed to collect and make available to students 1187 food vouchers in the amount of R\$140 each, and 613 internet SIM cards to provide access to online classes for students who do not have an internet connection. TOTVS has also made available essential items for compliance with protocols in hybrid classrooms, such as face masks, alcohol gel, thermometers, and sanitizing mats.

Even so, IOS received 1,480,000 students, 815 of whom got their first job through the Institute's direct efforts with partner companies, including TOTVS. According to studies carried out by the Institute, in 2020 there was an average increase of 49% in family income when a graduate student starts his/her first job, a percentage that has been increasing each year, reflecting the growing role of young people as protagonists in their family, as well as reinforcing the social impact generated by the Institute for the development of Brazil.

TOTVS focuses its strategy social investment on the IOS and is currently the key supporting entity of the institute, which counts on the support of other partner companies as well. The IOS has all the infrastructure and support needed to prepare students and place them into the job market, while supporting compliance with the Learning Law and the Quotas for People with Disabilities Law by developing today's talents for tomorrow's economy.

The Social Opportunity Institute is audited every year by PwC, reports annually using the GRI (Global Reporting Institute) standard, has certification by the DOAR Institute and, just like TOTVS, is a Signatory of the Brazil Network of UN Global Compact. In 2019 IOS won the label as one of the 100 Best NGOs to Donate in Brazil and in 2020 the Diversity and Human Rights Seal from the City Hall of Sao Paulo.

More information on the IOS is available on its website: [www.ios.org.br](http://www.ios.org.br).

### **United Nations (UN) Global Compact**

TOTVS joined in 2014 the Brazilian Network of the United Nations (UN) Global Compact, an initiative designed for companies that are committed to aligning their operations and strategies with the ten universally accepted principles in matters of human rights, labor, environmental and anti-corruption laws. With the participation of over 12,000 companies and other stakeholders from more than 145 countries, it is the world's largest joint corporate social and environmental responsibility initiative.



## ESG (Environmental, Social and Governance) Working Group

In 2018 TOTVS carried out a consultation process with its key *stakeholders* to determine the priority topics relevant for the Company, according to the characteristics of its businesses. This process was supplemented by TOTVS in 2019 by the creation of the ESG Working Group. Such WG held seven meetings during 2019, in which the action plans that make up the Company's ESG Agenda were established. For the construction, prioritization and validation of the Agenda, the UN Sustainable Development Goals (SDGs) were considered. Based on the Company's activities and impacts on society, the following SDGs were prioritized:

- Goal 4. Ensuring inclusive and equitable quality education while promoting lifelong learning opportunities for all
- Goal 5. Achieving gender equality and empower all women and girls
- Goal 8. Promoting sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all
- Goal 12. Ensuring sustainable consumption and production patterns
- Goal 17. Strengthening the means of implementation and revitalize the global partnership for sustainable development

Based on such references, priority action plans were determined, which consider the challenges, opportunities, and feasibility of each action. TOTVS' ESG Agenda, developed in 2019, reflects, in addition to its sustainable development commitments, the Company's vision of how its businesses can positively influence society, both as an employer and a social agent. The priority themes also reflect how technology can represent a key element in expanding access to knowledge and innovation.

The ESG Working Group counted on more than 50 representatives from more than 35 different areas and from various hierarchical levels of the company who, taking part in a very active way, discussed, improved and determined the key elements of sustainability for TOTVS in the coming years.

## Public Commitments

### Business Compact for Integrity and Against Corruption

TOTVS also joined the Business Pact for Integrity and Against Corruption of the Ethos Institute, whose mission is to mobilize, encourage and help companies to manage their business in a socially responsible and sustainable manner. This pact provides for a set of guidelines and procedures that meet the requirements of the policies in place for integrity and anti-corruption systems.

**UN Global Compact working groups**, including the statement of the ten universal Principles derived from the Universal Declaration of Human Rights, the International Labor Organization Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption.

### Partnerships and Engagement with Ecosystem and Segment Entities

**Campaign "TOTVERS QUE FAZEM" (TOTVERS WHO GETS THINGS DONE):** in response to the worsening of the health crisis resulting from the Covid-19 pandemic in Brazil, TOTVS, attentive and in accordance with its principles related to corporate social responsibility, has developed and implemented the 'TOTVERS QUE FAZEM' campaign, which consisted of the collection of financial donations made by TOTVERS and TOTVS itself to help maintain the training of IOS students. The amount collected enabled the donation of 1,187 food vouchers to all active students of all IOS Units and 1,850 data packages that were distributed in the 2nd semester 2020 and 1st semester 2021.



**Compliance Week:** with the purpose of promoting a culture of compliance in the Company and generating reflection about fighting corruption and its impact on companies and society, TOTVS held the Compliance Week in a 100% virtual format. Among the initiatives of such Compliance Week, the Live under the title "Corporate Compliance: roles and risks for organizations and individuals" stands out, as well as awareness-raising pills and a cultural contest on topics related to ethics.

### **My Chance Program ("Minha Chance")**

In partnership with the Sao Paulo Government's Economic Development Department, TOTVS held the first edition of the 'Basic ERP Support Course' offered at 08 ETECs (Technical Schools of the State of Sao Paulo) spread throughout the State of Sao Paulo, and a total of 123 students completed the course and graduated. The program aims to increase the employability and professional qualification of young people from the State of Sao Paulo, besides building company-school content in line with the demands of the labor market. TOTVS trained the faculty to disseminate the course content to young people throughout the State of Sao Paulo and also provided a classroom environment so that students could learn by doing, with the purpose of expanding a generation's access to technology training and education. An initiative called 'Showcase of Talents' was also created, based on our TOTVS University, which contains videos of most of the students who graduated showing what they learned as a kind of digital résumé. TOTVS leaders, Franchises, and clients/customers will have access to such database, and thus we will achieve that graduates are absorbed by the technology labor market and be part of the solution to the problem of shortage of skilled labor in the industry.

**Workshops ITC Trails:** in partnership with Brasscom and the Economic Development Department of the Government of Sao Paulo, TOTVS took part in the construction of the student profile for the new IT trails at Centro Paula Souza (a state school that provides technical and university courses in IT). Carried out in the format of a workshop, TOTVS'S participation took place aimed at supporting this government entity in updating the profile of professionals that the job market currently demands. The areas of Institutional and Governmental Relations (RIG), Attraction and Selection (HR), Devs (IT), Corporate University (HR), Information Security (IT), and Infrastructure and Computer Networks (IT) took part of it on behalf of TOTVS.

**Double Taxation on Software:** a decision made by the Brazilian Supreme Court (STF) put an end to a discussion that had dragged on before the Judiciary for the last 20 years, providing greater legal certainty to the private sector. On February 25, the STF Supreme Court decided that the ISS (service tax), and not the ICMS tax (Tax on Sales of Goods and Some Services), is the tax that must be levied on software licensing transactions, regardless of the type of sale. Through a technique called "modulation of effects", the decision rendered by the Supreme Court in the joint judgment of lawsuits known as ADI 5659 and ADI 1945 sought to provide for, in a satisfactory manner, legal certainty for the players involved in those discussions, projecting its effects not only on future periods of time but also on periods of time prior to such judgment. TOTVS took part in the judgment through Brasscom and contributed to the discussion and reasoning that aided the decision-making by the Supreme Court. According to the criteria determined by the Supreme Court, this decision acknowledges the validity of tax payments made by companies in this industry in periods prior to the date of such judgment, whether payment of ISS or ICMS taxes, thus protecting taxpayers from new charges for the same transaction. Therefore, the Supreme Court of Brazil made it impossible both the retroactive collection by the Brazilian States and municipalities, as well as any attempts by taxpayers to recover taxes paid in the past.

**Data Protection:** TOTVS held several lives and events to disseminate information and spread content about the General Data Protection Law of Brazil (LGPD), good practices for the preservation and security of personal and corporate data, as well as disclosed trends in the political environment and actions for TOTVERS, franchises, and the market in general. Thus the Company showed its enormous diligence to comply with the legislation and serve as a reference for other companies and civil society to be acquainted with the importance of this subject for the entire country.

TOTVS also works in partnership with civil society organizations, in the following initiatives:





**CNI's Innovation Indicators Working Group:** a group led by Laércio Cosentino aimed at creating innovation indicators for Brazil in order to understand the current status of this environment in the country compared with developed countries such as the USA, China, and 15 European countries, besides providing data and subsidies for the creation or improvement of public policies that enable progress in this agenda.

**2020 Abes Software Conference:** an event organized by the Association of Brazilian Software Companies (Abes) that proposed to debate ways of repositioning businesses considering the social and economic changes, especially due to the Covid-19 pandemic. The event took place fully in a digital format on September 28, 29, and 30, 2020. TOTVS was one of the sponsors, and our Techfin Executive Officer, Eduardo Neuber, gave an exclusive talk about TOTVS'S techfin strategy. The final numbers of the event were: 721 participants from 323 companies and had relevant media coverage.

**Brasscom TecForum Lives:** this event opens space for dialogue between public and private agents, motivating them to reflect on technology, public policies, and digital government to achieve a Digital, Connected, and Innovative Brazil. In 2020 the format was changed and the event was held fully online. TOTVS took part in the panel 'Taxation for the Digital Economy', represented by Ariela Zanetta Simoni (Leader of the RIG area - Institutional and Government Relations).

## Diversity and Inclusion

In line with the market, over the past few years TOTVS has carried out actions that seek to promote diversity and strengthen the inclusion of its associates. Good practices for hiring People with Disabilities, young apprentices and other minority groups in our society have been highlighted and shared in business and government forums on the subject.

In 2019 TOTVS started the process of identifying the strategic axes with which it is expected to work in the coming years, with a view of the market and adaptation to the Company's culture. In this context, a specific area was set within HR to assess and develop internal actions on the topic. This agenda is also part of TOTVS' sustainability agenda, in synergy with the SDG Sustainable Development Goal 5, which sets as goal promoting gender equality within the United Nations 2030 Agenda.

In our ecosystem, the Company reinforced the role of women and other minority groups in technology and entrepreneurship at external events, having hosted some initiatives such as the "Conecta Empreendedoras" conference that was created by the Mulheres do Brasil (Brazilian Women) Group, the "Structural Racism" course from Luis Gama Institute, and the initiative called "JUNTOS NA TI (TOGETHER ON IT) - LGBTI+ Edition", where it offered a logic and programming workshop for 50 young people interested in working in the technology area.

For the internal public, in November the company organized the TOTVS Festival of Social Impact, an event which theme was highlighted through specific panels and lectures related to Women in IT, entrepreneurship in ghettos, digital accessibility and technology for the common well-being.

Such initiatives were part of the process of building the Diversity and Inclusion Program that TOTVS launched in the first quarter of 2020. To this end, the company also carried out an internal, confidential, classified, and non-mandatory survey (with the support of external consultants) to understand TOTVERS' perception as regards this topic in the Company and hence to develop the best strategies and axes that will guide the Program and related policies. The focus of such Program in 2020 will be gender equality, seeking to expand women in leadership positions in the Company while increasing the number of women in TECH functions.



#### **7.9 – Other material information**

The Company has not identified any material information related to this item other than that being disclosed.



## 8.1 – Extraordinary Business

Ciashop - On May 9, 2019, the Company entered into a contract to sell 70.47% of interests it held in Ciashop's share capital to VTEX S.A. for the amount of R\$21,175. This transaction was completed on July 31, 2019, after being approved by the Brazilian antitrust authorities. The net gain from the sale of Ciashop was recorded under the account "Other operating income and expenses" on the income statement.

Hardware Operations - On October 24, 2019 the Company announced the completion of the sale of its Brazilian hardware operations, through the subsidiary Bematech Hardware Ltda. to ELGIN S.A. for the amount of R\$25,000, which is subject to a possible price adjustment to be determined under the terms set forth in the contract that governs such transaction.

On November 6, 2019 the sale of Bematech International Corporation (BIC) to Reason Capital Group LLC. was completed, pursuant to an agreement executed on July 2, 2019 for the amount of US\$4.4 million - corresponding to R\$17,528, after adjustments set forth in the agreement, of which US\$1.5 million - corresponding to R\$5,988 - were retained as collateral and shall be released by November 5, 2022.

**Supplier - Credit Product Segment:** the acquisition of Supplier, completed on April 30, 2020, made a new segment to be created within the Company's operations, called "Credit Products". The Company then started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses.

The Credit Products Segment - Supplier considers Supplier's businesses that involve, besides origination, the assumption of some degree of credit risk and/or the determination and/or use of credit policies, for instance, the products known as "Supplier Card", "Antecipa", and "Mais Prazo".

Supplier holds subordinated shares of a securitization fund called Credit Rights Investment Fund ("Supplier FIDC") that buys, sells, and securitizes its own or third-party credit rights, which is being consolidated in the group's financial statements, in compliance with CPC36(R3)/ IFRS 10. Legally speaking, Supplier's FIDC is an investment fund authorized by the Brazilian National Monetary Council that is specifically designed as an investment vehicle for investment in Brazilian credit receivables.

Because of the consolidation of Supplier's FIDC, the senior and mezzanine shares are accounted for as a financial liability under the caption "Senior and mezzanine shares", and the remuneration for the valuation of shares to the benefit of the holders of the senior and mezzanine shares is recorded as the cost of the transaction.



## 8.2 - Significant changes in the way the issuer conducts its business

There have been no significant changes in the way the Company conducts its business.



### **8.3 – Material agreements executed by the Company or its subsidiaries not directly related to their operational activities**

Neither the Company nor any of its subsidiaries has entered into any agreement not directly related to its business.



#### **8.4 - Other material information – Extraordinary business**

The Company has not identified any other material information related to this item.



## 9.1 - Material non-current assets - others

The Company has no other non-current assets that are material for the development of its activities.

### 9.1.a – Property, plant and equipment

Justification for not filling out the box:

The company has no other property and equipment that are material for the development of its activities.





## 9.1 - Material non-current assets / 9.1.b – Intangible assets

Type of asset	Asset Description	Duration	Events that may result in loss of rights	Consequences of loss of rights
Marcas	YMF – AMPLIS 827245890	30/10/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	YMF – AMPLIS 827082673	15/04/2030	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLY ZERO ONE 907445900	29/11/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLY ZERO ONE 907446183	12/03/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLY ZERO ONE 907446361	29/11/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLY ZERO ONE 907446604	27/03/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLY ZERO ONE 907446655	29/11/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ECOFLUIG 910715459	10/04/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ECOFLUIG 910715505	10/04/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ECOFLUIG 910715629	10/04/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ECOFLUIG 910715718	10/04/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ECOFLUIG 910715793	10/04/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	AMPLIS 827245904	30/10/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	BOARDS 913834700	29/01/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	BOARDS 913835366	29/01/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	CAROL 912947675	09/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	CAROL 912947837	09/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	CAROL 912985305	09/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	DATASUL 914028413	19/02/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	DATASUL 914028421	19/02/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLY01 9079001682	15/05/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLY01 907900755	10/01/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.

### SUBTITLES:

**Type of Asset:** Marcas (Trademarks);

**Duration:** information presented in the Brazilian standard (Day/Month/Year);

**Events that may result in loss of rights/Consequences of loss of rights:** As per item 9.2.



Type of asset	Asset Description	Duration	Events that may result in loss of rights	Consequences of loss of rights
Marcas	FLY01 907900828	10/01/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLY01 907900968	10/01/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLUIG 840530650	10/02/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLUIG 340530668	10/02/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLUIG 840530684	10/02/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLUIG 840530692	10/02/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLUIG 840530706	10/02/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLUIG 840530714	10/02/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLUIG 840530722	10/02/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	CAROL 912985321	09/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Licenças	PROTHEUS	01/01/2042	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	CAROL 912985330	09/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Nome de domínio na internet	TOTVS.COM.BR	27/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	CAROL 912985356	09/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	RM 817228373	04/04/2025	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	YMF 821050486	30/04/2022	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 830574476	15/01/2023	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ELEVE 917711190	Em análise	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ELEVE 918071585	07/04/2030	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ELEVE 918071712	Em análise	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	DATASUL 823404838	03/07/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ELEVE 918812569	Em análise	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ELEVE 918812720	Em análise	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.

#### SUBTITLES:

**Type of Asset:** Marcas (Trademarks);  
 Licenças (Licenses); Nome de Domínio  
 de Internet (Internet domain name);

**Duration:** information presented in the  
 Brazilian standard (Day/Month/Year);

**Events that may result in loss of  
 rights/Consequences of loss of  
 rights:** As per item 9.2.



Type of asset	Asset Description	Duration	Events that may result in loss of rights	Consequences of loss of rights
Marcas	DATASUL 810871432	01/11/2023	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FL Y01 907900550	10/01/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	FLUIG 840530625	10/02/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	RM 819925772	08/09/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	RM 821482076	07/08/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 827375743	16/10/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 830574468	21/01/2024	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 830574484	EM ANÁLISE	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 830574492	15/01/2023	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 830574506	04/10/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754558	27/09/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754566	27/09/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754574	EM ANÁLISE	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754582	EM ANÁLISE	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754590	EM ANÁLISE	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754604	EM ANÁLISE	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754612	27/09/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754655	27/09/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	TOTVS 840754663	27/09/2026	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ELEVE BY TOTVS 918071860	07/04/2030	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	ELEVE BY TOTVS 918072000	Em análise	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	SISJURI 823346935	13/02/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	VIRTUAL AGE 914573020	09/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.

#### SUBTITLES:

**Type of Asset:** Marcas (Trademarks);

**Duration:** information presented in the Brazilian standard (Day/Month/Year);

**Events that may result in loss of rights/Consequences of loss of rights:** As per item 9.2.



Type of asset	Asset Description	Duration	Events that may result in loss of rights	Consequences of loss of rights
Marcas	VIRTUAL AGE 914573055	09/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	VIRTUAL AGE 825805872	12/06/2027	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	VITRINE.NET 901824062	16/04/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	PC INFORMÁTICA 827756429	11/03/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	PC SISTEMAS 827755546	11/03/2028	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Licenças	PROTHEUS 10	01/01/2059	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Licenças	PROTHEUS V 12	01/01/2065	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Nome de domínio na internet	elevesaude.com.br	01/01/2025	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Nome de domínio na internet	elevesuasvendas.com.br	01/01/2025	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	RM 819925780	08/09/2029	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	RM 824073908	12/05/2025	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.
Marcas	RM 824073916	12/05/2025	Conforme indicado no item 9.2.	Conforme indicado no item 9.2.

#### SUBTITLES:

**Type of Asset:** Marcas (Trademarks);  
 Licenças (Licenses); Nome de Domínio  
 de Internet (Internet domain name);

**Duration:** information presented in the  
 Brazilian standard (Day/Month/Year);

**Events that may result in loss of  
 rights/Consequences of loss of  
 rights:** As per item 9.2.



## 9.1 – Material non-current assets/ 9.1.c – Equity interests

Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
TOTVS Large Enterprise Tecnologia S.A.	82.373.077/0001-71	20656	Controlled	Brazil	SP	São Paulo	Sales, Implementation and Consulting Support	100.00%
12/31/2020	11.278307		-	<b>Market Value</b>				
12/31/2019	16.659285		627,000.00	<b>Book value 12/31/2020</b>				
12/31/2018	-9.811996		8,886,600.00					

### Reasons for acquiring and maintaining such interest

Specialized and highly-skilled service by segment, developing activities of sales, implementation, specialized services and consultancy support aimed at large companies.

Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
TOTVS Serviços de Desenvolvimento e Consultoria em TI LTDA (ELEVÊ)	30.011.940/0001-47	N/A	Subsidiary	Brazil	RS		A company that develops management, customization, and technical support systems, the primary products of which are aimed at the sales process and financial management of micro and small businesses.	100%
12/31/2020	100.000000			<b>Market value</b>				
12/31/2019	-			<b>Book value 12/31/2020</b>				
12/31/2018	-							

### Reasons for acquiring and maintaining shareholding

Expertise in the development and trade of cloud solutions for e-commerce.



Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
CONSINCO S.A.	39.010.418/0001-15	N/A	Subsidiary	Brazil	SP		Provider of management systems for the supermarket and self-service wholesalers (wholesale) vertical in the Brazilian market, with a portfolio of "end-to-end" solutions, i.e., support from back-office routines, with ERP, to the <i>front office</i> , with the POS (Point of Sale/ Cashier).	100%
12/31/2020	100.000000							
12/31/2019	-							
12/31/2018	-							

#### Reasons for acquiring and maintaining shareholding

Strengthening its presence in the retail segment with specialized solutions for the supermarket and wholesalers vertical in the Brazilian market.

Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
Neolog Consultoria e Sistemas S.A.	05.254.381/0001-59	-	Controlled	Brazil	AP		Neolog is a software development company that provides implementation, customization and support services. Its main product is a logistic optimization solution that reduces freight costs for the customer through algorithms that calculate routes and accommodation of cargo in the trucks in an optimized manner. The company serves large customers in the logistic and manufacturing sectors, and trades its solutions under	60.00%



Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
12/31/2020	30.805427		1,000,000.00				the SaaS (Software as a Service) model.	
12/31/2019	47.480239		741,000.00					
12/31/2018	-8.515062		689,000.00					

#### Reasons for acquiring and maintaining such interest

With this move, the Company reinforces its specialization strategy and its position in the logistics segment by adding Neolog's products and business know-how in order to expand its portfolio of solutions for customers throughout the supply chain. The combination of the Company's distribution strengths and Neolog's solutions and expertise will enable exploring cost optimization opportunities and efficiency gains in key segments of the Brazilian market.

Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
TOTVS Argentina S.A.	-	-	Controlled	Argentina			Information Technology consulting; Technical support, maintenance and other IT services.	100.00%
12/31/2020	223,294015		-					
12/31/2019	-26.131253		-					
12/31/2018	8.715398		-					

#### Reasons for acquiring and maintaining such interest

To maintain a distribution channel in the region is part of TOTVS's strategy to consolidate its channels and its presence in territories deemed as strategic for the company.





Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
TOTVS Tecnologia em Software de Gestão Ltda.	07.577.599/0001-70	-	Controlled	Brazil	BA	Itacaré	Advisory in and development of automated systems (software); exploration of rights of use of owned or third-party automated systems, and provision of data processing, business management and administration services, as well as sub-licensing of the TOTVS brand, and import and export of goods and services linked to its activity.	100.00%
12/31/2020	307.975632		44,500,000.00	<b>Market value</b>				
12/31/2019	-31.448145		8,000000.00	<b>Book Value</b> 12/31/2020 543,645,353.42				
12/31/2018	3.457301		11,361,000.00					

#### Reasons for acquiring and maintaining such interest

To maintain a distribution channel in the region is part of TOTVS's strategy to consolidate its channels and its presence in territories deemed as strategic for the company.

Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
TOTVS Incorporation	-	-	Subsidiary	USA	CA		Information Technology consulting; technical support, maintenance and other IT services.	100.00%
12/31/2020	26.946414		-	<b>Market value</b>				
12/31/2019	0.883597		-	<b>Book Value</b> 12/31/2020 92,246,000.00				
12/31/2018	20.449491		-					

#### Reasons for acquiring and maintaining such interest

Acquisition of companies that may have synergy with TOTVS, aiming at complementing the portfolio of Information Technology solutions and maintaining an IT solutions research and development center in the United States of America.



Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
TOTVS México S.A.	-	-	Subsidiary	Mexico			Innovation, creation, development and updating of programs; trading of software and hardware, with possible import of owned or third-parties' goods and services relating to computing activities; provision of general services relating to consultancy in management processes and models; granting of rights of use, trading and sale of services sales to third parties.	100.00%
12/31/2020	83.063128		-					
12/31/2019	-24.446637		-					
12/31/2018	-16.465643		-					

#### Reasons for acquiring and maintaining such interest

To maintain a distribution channel in the region is part of TOTVS's strategy to consolidate its channels and its presence in territories deemed as strategic for the company.

Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
Soluções em Software e Serviços TTS Ltda.	07.363.764/0001-90	-	Controlled	Brazil	PE	Recife	Provision of consulting, advisory and development services for automated systems (software); exploration of rights of use of owned or third-party automated systems, and provision of data processing, business management and administration services, as well as sub-licensing of the TOTVS brand, and import and export of goods and services linked to its activity.	100.00%



Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
12/31/2020	1.889942		9,000,000.00					
12/31/2019	251.463856		-					
12/31/2018	10.720386		-					

#### Reasons for acquiring and maintaining such interest

To maintain a distribution channel in the region is part of TOTVS's strategy to consolidate its channels and its presence in territories deemed as strategic for the company.

Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
Fiscal Year	Book value – variation %	Market value - variation %	Amount of dividends received ( <i>Reais</i> )		Date	Amount (Reais)		
Supplier Administradora de Cartão de Crédito S.A.	39.010.418/0001-15	N/A	Subsidiary	Brazil	SP		Supplier's operations are dedicated to enabling B2B credit in recurring relationships between clients/customers and suppliers, especially in the manufacturing and distribution chains. Using the virtual B2B "private label" concept, SUPPLIER is responsible for the origination, determination, and application of the credit policy and approval, which is assigned to financial system participants that carry the portfolio and the credit risk.	88.75%
12/31/2020	100.000000							
12/31/2019		-						
12/31/2018		-						

#### Reasons for acquiring and maintaining shareholding

Strengthening the Techfin business dimension in order to simplify, expand, and make our customers' access to credit and other financial services cheaper through technology.



Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
<b>Fiscal Year</b>	<b>Book value – variation %</b>	<b>Market value - variation %</b>	<b>Amount of dividends received (Reais)</b>		<b>Date</b>	<b>Amount (Reais)</b>		
VT Comércio Digital S.A.	15.760.400/0001-72	-	Controlled	Brazil	AP		Interest in other companies as a shareholder or any other legal form.	50.00%
12/31/2020	157.061301	-						
12/31/2019	-94.659604	-						
12/31/2018	-52,283573	-						

**Reasons for acquiring and maintaining such interest**

Selective investments in companies that have technology solutions in synergy with the Company's business.

Company Name	CNPJ (National Corporate Taxpayer's Register)	CVM Code	Type of Company	Country of Origin	State of Origin	City of origin	Description of business activities	Type of Company
<b>Fiscal Year</b>	<b>Book value – variation %</b>	<b>Market value - variation %</b>	<b>Amount of dividends received (Reais)</b>		<b>Date</b>	<b>Amount (Reais)</b>		
TOTVS Hospitality Ltda.	09.131.273/0001-40	-	Controlled	Brazil	RJ	Rio de Janeiro	Development of specialized software solutions for hotels, inns, and resorts.	74.20%
12/31/2020	62.016247	-						
12/31/2019	34.436507	-						
12/31/2018	70.882325	-						

**Reasons for acquiring and maintaining such interest**

Positioning in the hotel segment with solutions specially developed from the peculiar processes of hotels, inns and resorts.



Razão social	CNPJ	Código CVM	Tipo sociedade	País sede	UF sede	Município sede	Descrição das atividades desenvolvidas	Participação do emissor (%)
Exercício social	Valor contábil - variação %	Valor mercado - variação %	Montante de dividendos recebidos (Reais)		Data	Valor (Reais)		
TFS Soluções em Software Ltda	27.231.185/0001-00	-	Controlled	Brazil	São Paulo	SP	Data processing, application service providers and internet hosting services, Information technology consulting, Technical support, maintenance and other information technology services and Business management consulting activities, except specific technical consulting	100.00%
12/31/2020	2.480358		25,008,000.00	<b>Market value</b>				
12/31/2019	0.978207		25,590,000.00	<b>Book Value</b> 12/31/2020 31,062,821.38				
12/31/2018	3,656.821026							

#### Reasons for acquiring and maintaining such interest

Company created in March 2017 for future segregation of certain software operations.



## 9.2 – Other relevant information

As of December 31, 2020 the Company had over 160 trademark registrations in Brazil and 180 registrations abroad.

Moreover, the Company has approximately 20 patent applications from the National Institute of Industrial Property in Brazil and 16 patent applications abroad.

### TRADEMARKS

#### **Events that may lead to loss of rights regarding registered trademarks**

According to Article 142 of Law 9.279 of 1996, some events may lead to loss of trademark rights, such as termination of effectiveness without request for renewal of the trademark on the due date; total or partial waiver of rights by the holder; and cancellation, at the request of any person with legitimate interest, if the trademark has not been used in Brazil after 5 years as from the registration date, or if its use has been interrupted for more than 5 years. Still at the administrative level, the registration may be declared null by the National Institute of Intellectual Property of Brazil (INPI) whether automatically or by any person's request upon a claim made by a third party or by a person with legitimate interest, upon a request for nullity submitted within 180 days from the registration being granted, if it is shown that the registration at issue has been granted in disagreement with the Intellectual Property Law. In addition, the nullity of a trademark registration can be declared by a court of law, through a lawsuit for nullity of the trademark registration filed by such INPI (Brazilian Patent and Trademark Office) or by any person having legitimate interest. The term for filing such a lawsuit is five (5) years counting from the date on which the trademark registration has been granted.

#### **Consequence of loss of registered trademark rights**

The suppression of trademark rights implies the loss of the exclusive right to trademarks, leading, for example, to the impossibility of preventing third parties from using identical or similar trademarks or brands to refer to equal, similar, or alike products or services, as the sign at issue returns to the public domain. Such a situation could even impair communication between the Company and its target audience. Any license or trademark in progress of being granted is also no longer valid, impacting the ability to receive the corresponding *royalties*. If any unregistered use results in a violation of third parties' rights, the holder of such brand used is subject to legal and civil lawsuits, which may result in a court decision determining that the corresponding trademark, use is halted, in addition to search and seizure of products, payment of compensation and/or refraining from using the brand by the Company.

#### **Events that may lead to loss of rights of trademarks filed but not registered**

If a particular trademark filed but not registered yet does not meet the formal and/or merit requirements, the application for registration thereof may be rejected by the National Institute of Intellectual Property (INPI), which is the agency responsible for deciding on the registration of trademarks in Brazil. The INPI may reject an official registration request or upon opposition from third parties, if it considers such a claim to be valid.

#### **Consequence of loss of rights of trademarks filed but not registered trademarks**

The loss of rights to brands deposited but not registered leads to the cessation of any expectation of rights on such trademarks. Depending on the grounds for the loss of the right - for example, in the case of a violation of the previous right held by a third party - the Company may be subject to legal and criminal lawsuits, for misuse of the trademark and violation of the third parties' rights, which may include convictions regarding the payment of compensation and/or refraining from using the brand by the Company, and even search and seizure of products.



In addition, the Company will not be able to prevent third parties from using identical or similar brands to refer to equal, similar, competing, or similar products and/or services.

## **PATENTS**

The Company's intellectual property assets consist, in the patent area, of 01 (one) patent application in co-ownership with SENAI, which is a "LEVELED PROGRAMMING ELECTRONIC PLATFORM", pending analysis by INPI.

INPI is the Brazilian federal agency responsible for granting and registering patents in Brazil. During the administrative procedure of patent application with INPI, the applicant enjoys an expectation of right that will be ratified if the patent is eventually granted. The patent will be granted if the invention has features like novelty, inventive activity, and industrial application. Such requirements will be determined by the INPI examiners, who will be able to make new requirements throughout their analysis and that will result in the granting or denying the application. The patent application may also be challenged by third parties through subsidies to the examination or even after the patent having been granted, through an application for administrative nullity.

### **Events that may result in loss of rights**

Many events can lead to the loss of rights for a patent application pending, such as: (i) failure to comply with formal and technical requirements; (ii) absence of an appeal against the denied patent application; (iii) failure to pay the corresponding fees due upon the patent is granted; (iv) absence of request to unarchive in case a patent application is archived due to lack of application to examine; (v) absence of a request for restore the patent application in case it is archived because the annual fee was not paid.

The granting of a patent gives its holder a real right (patent) over an intangible asset (invention), which consists of the temporary monopoly of economic exploitation on an invention and the consequent right to prevent its use by third parties during the effective term of the patent. The annual fees will be due until the end of the effective term of the patent, and the lack of payment thereof may cause the cessation of the patent right in case it is not restored on time.

### **Consequences of loss of rights**

Any manufacture, export, sale, display, or offer for sale, stock, concealment or reception, for economic purposes, of a product or process protected by a patent or utility model, without the corresponding holder's consent represents a crime against patent laws, subjecting offenders to court sanctions both of criminal and civil nature having as purpose abstaining from using and compensating for the violation.





## **10.1 – Overall financial and equity condition**

The financial information contained in sections 10.1 to 10.9 of this Form is derived from our accounting information from the consolidated financial statements for the fiscal years ended on December 31, 2020, 2019, and 2018, prepared according to the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

On January 1st, 2019, the new standard that governs the accounting treatment of Leasing Operations [IFRS 16/CPC 06 (R2)] issued by IASB and CPC [Brazilian Committee of Accounting Standards], respectively, became effective. To implement such standard, the Company adopted the modified retrospective approach. As a result, the financial information as of December 31, 2018 were not adjusted to reflect the adoption of IFRS 16/CPC 06 (R2) and, therefore, cannot be compared with the financial information as of December 31, 2019 and 2020, which reflect the effects of adopting such newer standard.

In addition, effective from January 1st, 2018, the new standards that govern the accounting treatment of Revenue from Contracts with Clients (IFRS 15/CPC 47) and Financial Instruments (IFRS 9/CPC 48) issued by IASB and CPC, respectively. The Company adopted the modified retrospective approach.

The Officers' analysis clarifying the results obtained and the reasons for the fluctuation in the amounts of the Company's equity accounts constitute an opinion on the impacts or effects of the data presented in the financial statements on the Company's equity and financial situation. The Company's Board of Executive Officers cannot guarantee that the financial situation and results achieved in the past will happen again in the future.

The terms "HA" and "VA" in the columns of certain tables in item 10 generally mean "Horizontal Analysis" and "Vertical Analysis", respectively.



## 10.1 - General Financial and Equity Situation

### a. General financial and equity situation

We present hereinbelow information about our financial and equity structure on the following dates:

(In thousands of Reals)	On December 31,		
	2020	2019	2018
Shareholders' Equity	2,604,166	2,478,409	1,288,220
Current assets	2,831,973	2,004,275	1,020,134
Net debt (Net Cash) <sup>(1)</sup>	326,168	(1,071,433)	50,678

(1) Net Debt is the sum of the balances of loans and financing, debentures, senior and mezzanine shares, and obligations for the acquisition of investments, both current and non-current, less the balances of cash and cash equivalents, financial investments, and investment guarantees, both current and non-current. Net debt is not a measure of financial performance recognized by accounting practices adopted in Brazil or by the *International Financial Reporting Standards* - IFRS issued by the *International Accounting Standards Board* ("IASB"), and it does not have a standard meaning. Other companies can account for their net debt differently, so it is not possible to make a comparison between disclosures.

On April 30, 2020, the Company acquired Supplier Participações SA ("Supplier"). Supplier is a company focused on B2B credit and development of solutions for the relationship between customers and suppliers. In addition, with the acquisition of Supplier the Company started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses. Supplier holds subordinated shares of a securitization fund called "Fundo de Investimento em Direitos Creditórios" (Credit Rights Investment Fund) (hereinafter referred to as "Supplier FIDC"), which buys, sells, and securitizes its own or third-party credit rights which are being consolidated in the Company's financial statements as a result of the consolidation, the obligations resulting from the senior and mezzanine shares and financial investments started to compose the Company's net debt.

On January 1st, 2019, the Company's net debt was impacted by the recognition of leasing liabilities (current and non-current) in the amount of R\$236.8 million originated from adopting the new accounting standard equivalent to IFRS 16. In addition, net cash was positively affected by the subsequent share offering made over the fiscal year 2019, which managed to raise R\$1,066.5 billion.

In 2018 the Company had a significant advance in its financial position, with an increase in operating cash flow. Thus, the net debt suffered a sharp reduction.

### b. capital structure, pointing out:

The Company finances its operations through its own equity and third-party funds. The Company issues common shares only; therefore, there are no redeemable shares.

Over the last three years, we have been having a balanced capital structure between our own equity and third parties' funds, which are consistent with our activities, in the Management's view, in the proportion shown in the table below:

(in thousands of Reals, except %)	On December 31,		
	2020	2019	2018
Current Liabilities and Noncurrent Liabilities (Third-Party Funds)	2,542,240	1,057,518	1,103,057



Stockholders' equity (own equity)	2,604,166	2,478,409	1,288,220
Third-Party Funds <sup>(1)</sup>	49.4%	29.9%	46.1%
Net Equity <sup>(2)</sup>	50.6%	70.1%	53.9%

(1) Third-party funds correspond to the sum of current and noncurrent liabilities divided by total liabilities and stockholders' equity.

(2) Net equity refers to the Company's Capital Stock.

### c. Payment capacity as regards financial commitments undertaken

As of December 31, 2020 the Company's gross debt was R\$1,353.9 million, of which R\$1,192.7 million, or 77.8%, are in current liabilities and R\$340.5 million, or 22.2% in non-current liabilities.

The Company has been fully capable of paying its financial commitments undertaken, since its operations are cash-generating and the financing granted to clients are essentially in the short term.

Most liabilities and receivables result from sales and provision of software implementation services, which are provided in the countries where they are sold.

With the acquisition of Supplier in 2020, the Company started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses. In addition, as a result of the consolidation of Supplier FIDC, the senior and mezzanine shares are accounted for as a financial liability on the item "Senior and mezzanine shares" and make up the Company's gross debt.

The Company maintains a conservative profile of financial investment and currently has no operations in risk markets and/or derivatives.

The table below shows the key financial indicators connected to our payment capacity:

(in thousands of Reals, unless otherwise stated)	On December 31,		
	2020	2019	2018
Gross Debt <sup>(1)</sup>	1,533,209	466,723	503,477
Net debt (Net Cash) <sup>(2)</sup>	326,168	(1,071,433)	50,678
Adjusted EBITDA <sup>(3)</sup>	590,011	469,742	347,014
Debt ratio <sup>(4)</sup>	0.6	-2.3	0.1
Current liquidity ratio <sup>(5)</sup>	1.4	2.8	1.4
Overall liquidity ratio <sup>(6)</sup>	1.3	2.2	1.2

(1) Gross Debt corresponds to the sum of the balances of loans and financing, debentures, senior and mezzanine shares, and obligations for the acquisition of investments discounted from the amount of investment guarantees, both current and non-current. Gross debt is not a measure of financial performance recognized by accounting practices adopted in Brazil or by the *International Financial Reporting Standards* - IFRS issued by the *International Accounting Standards Board* ("IASB"), and it does not have a standard meaning. Other companies can account for their gross debt differently, so it is not possible to make a comparison between disclosures.

(2) Net Debt is the sum of the balances of loans and financing, debentures, senior and mezzanine shares, and obligations for the acquisition of investments discounted from the amount of investment guarantees, both current and non-current, less the balances of cash and cash equivalents, and financial investments, both current and non-current. Net debt is not a measure of financial performance recognized by accounting practices adopted in Brazil or by the *International Financial Reporting Standards* - IFRS issued by the *International Accounting Standards Board* ("IASB"), and it does not have a standard meaning. Other companies can account for their net debt differently, so it is not possible to make a comparison between disclosures.



(3) Adjusted EBITDA is a non-accounting measurement prepared by the Company that consists of EBITDA, calculated according to CVM Instruction 527, which is adjusted: by the equity method result; by the allowance for impairment of assets and other extraordinary provisions, such as for contingencies and for doubtful accounts; by the loss (gain) on the write-off of assets; by the gain from the sale of subsidiaries; extraordinary costs with personnel termination, due to the net loss of discontinued operations and the *learn-out1* adjustment at fair value. Adjusted EBITDA is not a measure recognized by the Accounting Practices Adopted in Brazil or by the International *Financial Reporting Standards* (IFRS), issued by the *International Accounting Standard Board* (IASB); they do not represent cash flow for the periods presented and should not be considered as a substitute for net profit (loss), as an indicator of operating performance or as a substitute for cash flow as an indicator of the Company's liquidity or the basis for the distribution of dividends. Adjusted EBITDA does not have a standard meaning and may not be comparable to measures with similar securities provided by other companies.

(4) The Debt Ratio corresponds to the ratio of the Net Debt at the end of the fiscal year divided by Adjusted EBITDA for the same fiscal year.

(5) The current liquidity ratio corresponds to the ratio resulting from the division of current assets by current liabilities.

(6) The general liquidity ratio corresponds to the division ratio of: (i) the result from the sum of current and non-current assets (except investment, fixed, and intangible assets); by (ii) the result of the sum of current liabilities and non-current liabilities.

2020: The Company issued simple debentures, non-convertible into shares, in the amount of R\$200 million preventively in the face of the COVID-19 pandemic, which were redeemed in advance on August 10, 2020. The increase in net debt is mainly the result of the financial liabilities of Supplier FIDC's senior and mezzanine shares. The indebtedness ratio on December 31, 2020 was 0.6 and the current liquidity ratio was 1.4, the same level as in 2018. The general liquidity ratio on December 31, 2020 closed at 1.3, demonstrating the Company's ability to comply with its long-term commitments.

2019: The Company did not contract new financing in 2019. The reduction in net debt is the result of the recognition of financial lease liabilities resulting from the adoption of the new IFRS 16/CPC 06 (R2) accounting standards, added to the raising of funds obtained in the *follow-on* carried out in May 2019, which increased the cash balance for the year. The debt ratio on December 31, 2019 was -2.3 and the current liquidity ratio was 2.8, while the general liquidity ratio went to 2.2 on December 31, 2019, showing the Company's ability to fulfill its long-term obligations.

2018: The Company did not contract any relevant new financing in 2018. The debt ratio on December 31, 2018 was 0.1 and the current liquidity ratio was 1.4, pointing out the maintenance of the Company's financial health to honor its short-term obligations.

#### **d. sources of financing used for working capital and for investment in non-current assets**

2018 to 2020: Working capital and investments in non-current assets were financed chiefly from the Company's own funds arising from operating cash generation, from debentures issued by the Company, as detailed in section 10.1.f.i, and from funds originated from a subsequent issue of shares performed in May 2019.

#### **e. financing sources for working capital and investments in non-current assets intended to be used to cover liquidity deficiencies**

For now, the Company understands that it has no liquidity deficiencies. If there is a need to seek financing sources for working capital or non-current assets, the Company may: (i) seek lines of loans and financing with private banks, or (ii) issue debt securities, such as debentures for example.

It is also worth mentioning that the Company, despite understanding that it does not have any liquidity deficiencies, has pre-approved lines with private banks that can be accessed in the very short term.



**f. levels of indebtedness and characteristics of such debts, also describing:**

**(i) relevant loan and financing agreements**

The loans and financing taken by the Company, as well as the balance of each one at the end of every period, are shown in the table below:

(in thousands of Reals, unless otherwise stated)	Financial charges	On December 31,		
		2020	2019	2018
Financial leasing	5.53% to 17.24%	223,525	241,340	42,189
BNDES PROSOFT	TJLP +1.5% to 1.52% pa	-	3,232	137,940
BNDES PSI	3.5% to 4.0% pa	-	2,227	18,224
BNDES Innovation	TJLP + 0.52% pa	-	888	2,404
BNDES Social	TJLP pa	-	-	714
Working capital	CDI + 1.9% pa	100,740	-	-
Secured and other accounts		785	16	-
<b>Loans and Finance</b>		<b>325,050</b>	<b>247,703</b>	<b>201,471</b>
Current Liabilities		146,806	55,623	166,154
Noncurrent Liabilities		178,244	192,080	35,317

(in thousands of Reals, except as otherwise stated)				On December 31,		
Issuance	Debentures	Annual financial charges	Unit price in Real	2020	2019	2018
Single series	200,000	105.95% of CDI rate	1.00	-	202,973	203,431
Premium for non-conversion of 2008 debentures				-	-	73,757
<b>Total</b>				<b>-</b>	<b>202,973</b>	<b>277,188</b>
Current liabilities				-	202,973	77,319
Non-current liabilities				-	-	199,869

The amounts of loans and financing and debentures recorded in non-current liabilities at the end of each period have the following maturity schedule:

(In thousands of Reals)	On December 31,		
	2020	2019	2018
2020	-	-	219,452
2021	-	192,080	15,734
2022	(41,761)	-	-
2023	37,895	-	-
2024	33,751	-	-
2025 onward	64,837	-	-



<b>Loans and financing and debentures (non-current liabilities)</b>	<b>178,244</b>	<b>192,080</b>	<b>235,186</b>
---------------------------------------------------------------------	----------------	----------------	----------------

Finance leasing: The Company and its subsidiaries have several finance lease agreements with contracted terms varying between 3 and 10 years connected to the purchase of electronic equipment, rents, and facilities of the Company's units with interest rates between 5.53% to 17.24% for rented equipment and vehicles, and 7.78% to 10.16% for property lease agreements.

BNDES - National Bank for Economic and Social Development of Brazil: on September 13, 2013, the Board of Directors approved a loan from BNDES in the amount of R\$ 658.5 million with a 72-month amortization period, including a 24-month grace period on the principal amount; such loan was released upon proof of investments actually made, and divided into three subcredits:

- Subcredit "A" in the amount of R\$ 596.8 million, which will bear interests of 1.5% per year above the TJLP - Long-Term Interest Rate, to be used between years 2013 and 2015 to promote a qualitative evolution of solutions offered by the Company, under the BNDES PROSOFT Program;
- Subcredit "B" in the amount of R\$ 58.5 million, which will bear interests of 3.5% per year, to be used in to develop its platform known as "fluig", within the scope of the BNDES Investment Support Program - PSI, a Subprogram known as Innovation and Efficient Machines and Equipment;
- Subcredit "C" in the amount of R\$ 3.3 million, on which the Long-Term Interest Rate (TJLP) will apply, to be invested in social projects to be carried out by the Company.

The credit facilities with the BNDES described above were settled in 2019.

The corporation TOTVS Large (formerly known as Bematech S.A.), a subsidiary of the Company, have also taken loans with BNDES, such as BNDES PROSOFT, BNDES Inovação, BNDES EXIM, BNDES Internacionalização, and Finame (the latter two were already paid off) in the total amount of R\$ 76.8 million. On October 23, 2015, BNDES gave its consent for the Company to be added as a guarantor of such loan agreements. In addition, the loan and financing agreements contracted with BNDES by TOTVS Large are not guaranteed. This credit facility was settled in 2020.

2020 Working Capital: On October 21, 2020, the subsidiary Supplier Administradora raised R\$100 million for working capital with Banco ABC Brasil due on July 20, 2021. The contracted amount will be subject to 100% of the CDI rate, plus a rate of 1.9% per year based on 360 days.

TOTVS 2017 debentures, settled in 2020: on September 6, 2017 the Company issued unsecured, simple debentures, not convertible into shares, in a single series, the placement of which was made through a public offering with restricted distribution efforts, in the total amount of R\$200 million. The funds raised were fully used for working capital, investments within the scope of the Company's corporate purpose and/or prepayment of debts.

The book value of the debentures was subject to remuneration interest corresponding to 105.95% of the accumulated variation of the average daily rates of DI (Interbank Deposits) with semiannual maturities. The debentures matured on September 15, 2020 and were settled in the amount of R\$202,838.



Debentures issued in 2020: on April 22, 2020, the Company approved the issuance of unsecured, simple debentures, not convertible into shares, in a single series, which will be publicly distributed with restricted distribution efforts in the total amount of R\$200,000, with a face value per unit of R\$1,000 (one thousand Reais). The face value per unit will bear interests corresponding to 100.0% of the accumulated variation of the average daily rates of the DI (Interbank Deposits), based on 252 business days, plus a spread equal to 2.65% per year. On August 10, 2020, the Company redeemed all debentures in the amount of R\$203,219.

The debentures would mature on April 22, 2021, and the optional early redemption occurred, under the terms of the 2nd Issue, upon payment of the debit balance of the face value per unit and compensatory interest rate corresponding to 100.0% of the accumulated variation of the daily average rates of DI (Interbank Deposits), based on 252 working days, plus a spread equivalent to 2.65% per year calculated *pro rata temporis* from the date of payment of the debentures up to the date of the effective payment, plus a premium corresponding to 0.10%.

Premium for non-conversion of the 2008 debentures: on August 19, 2008, the shareholders approved a fundraising of R\$ 200 million through the issue of up to 100,000 ("Units"), represented by certificates of deposit of securities, composed of two non-detachable debentures, one of them being a convertible 1st series debenture and the other being a convertible 2nd series debenture. The total amount of principal and interests had its amortization completed in 2016. The non-conversion premium for the 1st series debentures was updated by the IPC-A rate, increased by 8.0% per year, while the 2nd series premium was adjusted by the TJLP rate plus 5.0% per year.

None of the debenture holders chose to receive common shares, and the non-conversion premium was paid on August 19, 2019 in cash.

**(ii) other long-term relationships with financial entities**

The Company has no other relevant long-term relationships with financial entities other than those described in section 10.f.i.

**(iii) degree of subordination among debts**

The debts with the BNDES had letters of guarantee from other banks, and leasing contracts have collateral for leased assets. The Company's other debts are unsecured, so there is no degree of subordination between them.

**(iv) any restrictions imposed on the issuer, particularly regarding limits of indebtedness and contracting of new debts, distribution of dividends, disposal of assets, issue of new securities, and the disposal of controlling interest**

Working Capital 2020: The Supplier Administradora contract that raised R\$100 million for working capital with Banco ABC Brasil due on July 20, 2021 has an early maturity clause in the event of default, bankruptcy or title protest with over R\$10 million, in addition to other provisions set forth in the contract.

There are no other open restrictions as of December 31, 2020, since the loans raised with BNDES and the issuance of Debentures were settled as mentioned in section f (i).

**g. limits for using those financing already contracted**

The limits of all financing taken from BNDES have already been fully used.





## h.significant changes in each topic of the financial statements

### CONSOLIDATED BALANCE SHEETS (in thousands of R\$)

	On December 31,			Vertical analysis			Horizontal analysis	
	2020	2019	2018	2020	2019	2018	20 vs. 19	19 vs. 18
<b>Current Assets</b>								
Cash and Cash Equivalents	1,027,733	1,538,156	452,799	20.0%	43.5%	18.9%	-33.2%	239.7%
Financial Investments	179,308	-	-	3.5%			0.0%	
Investment guarantees	10,012	25,278	44,909	0.2%	0.7%	1.9%	-.60,4%	-43.7%
Accounts receivable from clients	1,633,474	453,118	504,056	31.7%	12.8%	21.1%	260.5%	-10.1%
Allowance for expected loss	(136,245)	(102,123)	(118,518)	-2.6%	-2.9%	-5.0%	33.4%	-13.8%
Inventory	-	-	41,531	0.0%	0.0%	1.7%	0.0%	-100.0%
Recoverable taxes	38,092	29,662	38,817	0.7%	0.8%	1.6%	28.4%	-23.6%
Other current assets	79,599	60,184	56,540	1.5%	1.7%	2.4%	32.3%	6.4%
<b>Total Current Assets</b>	<b>2,831,973</b>	<b>2,004,275</b>	<b>1,020,134</b>	<b>55.0%</b>	<b>56.7%</b>	<b>42.7%</b>	<b>41.3%</b>	<b>96.5%</b>
<b>Noncurrent Assets</b>								
Investment guarantees	1,116	1,987	5,334	0.0%	0.1%	0.2%	-.43,8%	-62.7%
Financial assets	92,770	71,955	69,171	1.8%	2.0%	2.9%	28.9%	4.0%
Accounts receivable from clients	64,012	31,627	19,890	1.2%	0.9%	0.8%	102.4%	59.0%
Recoverable taxes	-	-	236	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred Income Tax and Social Contribution	100,535	100,380	125,124	2.0%			0.2%	-19.8%
Escrow deposits with courts of law	43,972	65,059	65,965	0.9%	1.8%	2.8%	-32.4%	-1.4%
Other assets	57,928	57,395	26,340	1.1%	1.6%	1.1%	0.9%	117.9%
Investments	3,476	3,120	3,129	0.1%	0.1%	0.1%	11.4%	-0.3%
Fixed Assets	364,447	389,432	198,826	7.1%	11.0%	8.3%	-6.4%	95.9%
Intangible assets	1,586,177	810,697	857,128	30.8%	22.9%	35.8%	95.7%	-5.4%
<b>Total Non-Current Assets</b>	<b>2,314,433</b>	<b>1,531,652</b>	<b>1,371,143</b>	<b>45.0%</b>	<b>43.3%</b>	<b>57.3%</b>	<b>51.1%</b>	<b>11.7%</b>
<b>Total Assets</b>	<b>5,146,406</b>	<b>3,535,927</b>	<b>2,391,277</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>45.5%</b>	<b>47.9%</b>



### CONSOLIDATED BALANCE SHEETS (in thousands of R\$)

	On December 31,			Vertical analysis			Horizontal analysis	
	2020	2019	2018	2020	2019	2018	20 vs. 19	19 vs. 18
<b>Current Liabilities</b>								
Social and labor obligations	211,603	193,472	174,874	4.1%	5.5%	7.3%	9.4%	10.6%
Suppliers	99,305	63,821	113,907	1.9%	1.8%	4.8%	55.6%	-44.0%
Tax obligations	74,558	55,203	47,466	1.4%	1.6%	2.0%	35.1%	16.3%
Loans and financing	146,806	55,623	166,154	2.9%	1.6%	6.9%	163.9%	-66.5%
Debentures	-	202,973	77,319	0.0%	5.7%	3.2%	-100.0%	162.5%
Payable commissions	53,795	46,035	43,166	1.0%	1.3%	1.8%	16.9%	6.6%
Dividends and interest on net equity payable	57,687	44,579	13,902	1.1%	1.3%	0.6%	29.4%	220.7%
Investment acquisition obligations	44,781	32,554	59,597	0.9%	0.9%	2.5%	37.6%	-45.4%
Transfer to partners	328,817	-	-	6.4%			0.0%	
Senior and mezzanine shares	1,011,087	-	-	19.6%			0.0%	
Other liabilities	11,592	11,292	13,227	0.2%	0.3%	0.6%	2.7%	-14.6%
<b>Total Current Liabilities</b>	<b>2,040,031</b>	<b>705,552</b>	<b>709,612</b>	<b>39.6%</b>	<b>20.0%</b>	<b>29.7%</b>	<b>189.1%</b>	<b>-0.6%</b>
<b>Noncurrent Liabilities</b>								
Loans and financing	178,244	192,080	35,317	3.5%	5.4%	1.5%	-7.2%	443.9%
Debentures	-	-	199,869	0.0%	0.0%	8.4%	0.0%	0.0%
Allowance for contingencies	125,818	131,521	127,792	2.4%	3.7%	5.3%	-4.3%	2.9%
Investment acquisition obligations	163,419	10,758	15,464	3.2%	0.3%	0.6%	1419.0%	-30.4%
Other liabilities	34,728	17,607	15,003	0.7%	0.5%	0.6%	97.2%	17.4%
<b>Total long-term liabilities</b>	<b>502,209</b>	<b>351,966</b>	<b>393,445</b>	<b>9.8%</b>	<b>10.0%</b>	<b>16.5%</b>	<b>42.7%</b>	<b>-10.5%</b>
<b>Shareholders' equity</b>								
Capital stock	1,382,509	1,382,509	1,041,229	26.9%	39.1%	43.5%	0.0%	32.8%
Treasury shares	(148,537)	(62,531)	(70,026)	-2.9%	-1.8%	-2.9%	137.5%	-10.7%
Capital reserve	894,824	875,979	169,907	17.4%	24.8%	7.1%	2.2%	415.6%
Other comprehensive income	42,541	22,051	20,704	0.8%	0.6%	0.9%	92.9%	6.5%
Retained Earnings	381,869	234,389	125,228	7.4%	6.6%	5.2%	62.9%	87.2%
Proposed additional dividends	50,960	24,817	-	1.0%	0.7%	0.0%	105.3%	0.0%
Non-controlling shareholders' equity	-	1,195	1,178	0.0%	0.0%	0.0%	-100.0%	1.4%
<b>Total shareholders' equity</b>	<b>2,604,166</b>	<b>2,478,409</b>	<b>1,288,220</b>	<b>50.6%</b>	<b>70.1%</b>	<b>53.9%</b>	<b>5.1%</b>	<b>92.4%</b>
<b>Total Liabilities</b>	<b>5,146,406</b>	<b>3,535,927</b>	<b>2,391,277</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>45.5%</b>	<b>47.9%</b>



**Comments regarding the Company's consolidated balance sheet as of December 31, 2020 and 2019:**

Current Assets: it represented 55.0% of Total Assets on December 31, 2020, an increase of 41.3% compared with December 31, 2019, mainly impacted by the 260.5% growth in Accounts receivable from customers if compared with 2019, which resulted from the consolidation of credit rights in the operation of credit products resulting from the acquisition of Supplier, which represented R\$1,172.2 million or 71.8% of the Company's consolidated accounts receivable on December 31, 2020.

Noncurrent Assets: The 51.1% increase in noncurrent assets is due to the 95.7% increase in intangible assets, as a result of the acquisitions of equity interests of Consinco S.A., Supplier Participações, Wealth Systems, and Tail Target over the fiscal year 2020. These business combinations generated a goodwill of R\$479.9 million and intangibles by allocating the price paid in the amount of R\$347.7 million.

Current Liabilities: The 189.1% increase in current liabilities as of December 31, 2020 is mainly due to the consolidation of financial liabilities related to "Senior and mezzanine shares" in the amount of R\$1,011.1 million and "Transfer to partners" in the amount of R\$328.8 million resulting from the acquisition of Supplier Participações on April 30, 2020.

Noncurrent Liabilities: the 42.7% increase in noncurrent liabilities is explained by the increase of R\$152.7 million in the line of liabilities for investment acquisition originated from the acquisitions of Consinco S.A., Supplier Participações, Wealth Systems, and Tail Target.

Shareholders' Equity: Shareholders' equity remained in line year-over-year. It is worth highlighting the repurchase of 5,100,900 shares issued by the Company to face the share-based Incentive and Retention Plan.

**Comments regarding the Company's consolidated balance sheet as of December 31, 2019 and 2018:**

Current Assets: it represented 56.7% of Total Assets on December 31, 2019, an increase of 96.5% over December 31, 2018, impacted particularly by the 239.7% growth in Cash and cash equivalents when compared to 2018, resulting from the fundraising on the *follow-on*, which occurred in May 2019.

Non-current assets: even with the 12.1% increase in non-current assets, impacted mainly by the increase in fixed assets due to IFRS 16, non-current assets increased from 57.3% of total assets on December 31, 2018 to 43.3% on December 31, 2019, due to the significant increase in current assets resulting from the fundraising on the *follow-on* as mentioned above.

Current Liabilities: the 0.6% reduction in Current Liabilities, which went from 29.7% of Total Liabilities on December 31, 2018 to 20.0% on December 31, 2019, is the result of the payment of obligations by the acquisition of investments and a lower volume of suppliers, offset by the transfer of the balance of Debentures from non-current liabilities to current liabilities, taking into account their maturity within 12 months.

Non-current liabilities: the 10.5% reduction in non-current liabilities, which went from 16.5% on December 31, 2018 to 10.0%, on December 31, 2019 is explained especially by the payment of obligations for acquisition of



investment and transfer of debentures for the short term, offset by the recognition of the liability for leasing arising from the adoption of accounting standard CPC 06 (R2). This accounting standard sets forth a new accounting model for leasing, since, on the date the lease starts, the lessee recognizes a lease liability to make payments (increasing the gross debt) and an asset representing the right to use the underlying asset during the leasing term.

Shareholders' Equity: the growth of 92.4% in Shareholders' Equity is a consequence of fundraising on the *follow-on*, in addition to the net income ascertained in the fiscal year 2019.

## INCOME STATEMENT

We present below the key income descriptions:

- **Net Revenue:** revenue is recognized when there is an agreement with the client, performance obligations are identified, the transaction price is measurable and reliably allocated, and when control of goods or services is transferred to the client. Revenues are shown net of taxes, returns, rebates, and discounts, when applicable. The Company and its subsidiaries separate revenue into recurring revenue, non-recurring revenue, and revenue from credit products - as follows:

### Recurring revenue from software

Recurring revenue from software comprises: (i) software subscription, in which clients and customers have access to the software on multiple devices simultaneously in its most recent version; (ii) maintenance, including technical support and technology evolution; and (iii) services, including cloud computing and customer service. All of these services are sold separately.

Recurring revenue from software is recognized on a monthly basis in the income statement over time, as the services are provided, from the date the services and software are made available to the customer and all other revenue recognition criteria are met.

### Non-recurring revenue from software

Non-recurring revenue from software comprises: (i) license fees, which transfer to the customer the right to use the software for an indefinite period of time; and (ii) software implementation and customization services, consulting and training services.

(i) A license fee is recognized at a given time when all risks and benefits connected to such license are transferred to the buyer upon the availability of the software and the amount can be measured reliably, as well as it is probable that the economic benefits will be generated in favor of the Company.

(ii) Revenues from implementation and customization services represent a performance obligation different from other services and are billed separately and recognized over time as costs are incurred connected to the total expected costs, performed according to the schedule of performance and when there is a valid expectation of being received from customers. Billed revenues that do not meet the recognition criteria, do not comprise the balances of the corresponding revenue accounts and accounts receivable. Revenues from consulting and training services are recognized when the services are provided.



## Revenue from credit products

Revenues from credit products are recognized as described below:

- (i) Factoring of receivables is recognized at the time they are factored, when the risks and benefits are transferred to Supplier Administradora.
- (ii) Management fees are recognized at the amount of the consideration received or receivable, being recognized at the time of service provision. The transaction price is determined individually for every partner according to the agreement executed between the parties.

Revenues are subject to the following taxes and contributions, at the following basic rates:

- Software revenues are subject to rates of 0.65% for PIS and 3.0% for COFINS. We adopt the non-cumulative regime for some revenues, being possible to discount credits earned on purchases and other expenses, which include the rates of 1.5% for PIS and 7.6% for COFINS;
- Tax on services (ISS) at rates ranging from 2% to 5%;
- Social Security Contribution on Gross Revenue (CPRB) of 4.5% for software revenues.

- **Software costs:** software costs are composed especially of salaries for consulting and support personnel and include costs of acquiring a database and the price of licenses paid to third parties in case of software bought from third parties and resold to clients.
- **Costs of Credit Products:** costs of credit products are mainly composed of remuneration for senior and mezzanine shareholders and cost of raising credit rights.
- **Research and development:** Research and development expenses incurred by the software development area connected to new products or technology innovations of existing software, which do not meet the capitalization criteria, are recorded as expenses for the fiscal year in which they are incurred and are shown separately from sales costs as operating expenses. In addition, the Company capitalizes development expenses, provided that the criteria of CPC 04 (R1)/ IAS 38 are met.
- **Sales and Marketing:** sales expenses correspond to personnel expenses at the company's own units and expenses with commission paid to the Company's franchise network. The vast majority of marketing expenses correspond to the disclosure of the Company's brand.
- **General and Administrative Expenses:** general and administrative expenses are incurred in the management and support of operational activities. The Company's main general and administrative expenses are personnel costs and allowance for contingencies.
- **Financial Result:** the financial result is the difference between financial income and expenses. The key groups that make up the financial result are interest on loans and financing, and income from financial investments.



- **Current and Deferred Income Tax and Social Contribution:** the allowance for income tax and social contribution is connected to the taxable income for the fiscal years, with retail rates of 25% for IRPJ (companies' income tax) and 9% for CSLL (social contribution on net profit). The Company's effective rate is composed of current and deferred income tax and social contribution according to the best accounting practices.

## COMPARISON BETWEEN THE FISCAL YEARS ENDED ON DECEMBER 31, 2020, 2019, AND 2018

(in thousands of R\$)	Fiscal year ended on December 31,			Vertical analysis			Horizontal analysis	
	2020	2019	2018	2020	2019	2018	20 vs. 19	19 vs. 18
Net revenue from software	2,467,959	2,282,124	2,111,160	95.1%	100.0%	100.0%	8.1%	8.1%
Net revenue from credit products	128,118	-	-	4.9%	-	-	100.00%	-
<b>Net Income</b>	<b>2,596,077</b>	<b>2,282,124</b>	<b>2,111,160</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>13.8%</b>	<b>8.1%</b>
Cost of software	(734,770)	(743,855)	(739,210)	-28.3%	-32.6%	-35.0%	-1.22%	0.6%
Cost of credit products	(41,934)	-	-	-1.6%	-	-	100.00%	-
<b>Gross profit</b>	<b>1,819,373</b>	<b>1,538,269</b>	<b>1,371,950</b>	<b>70.1%</b>	<b>67.4%</b>	<b>65.0%</b>	<b>18.27%</b>	<b>12.1%</b>
<b>Operating revenues (expenses)</b>								
Research and development	(431,348)	(397,824)	(382,078)	-16.6%	-17.4%	-18.1%	8.4%	4.1%
Selling and marketing expenses	(474,373)	(423,997)	(386,150)	-18.3%	-18.6%	-18.3%	11.9%	9.8%
General and administrative expenses	(299,990)	(239,791)	(228,165)	-11.6%	-10.5%	-10.8%	25.1%	5.1%
Depreciation and amortization	(204,587)	(147,033)	(122,291)	-7.9%	-6.4%	-5.8%	39.1%	20.2%
Allowance for expected loss	(43,856)	(28,434)	(36,992)	-1.7%	-1.2%	-1.8%	54.2%	-23.1%
Other revenues (expenses)	28,613	24,262	9,381	1.1%	1.1%	0.4%	17.9%	158.6%
<b>Operating profit before financial effects and equity method</b>	<b>393,832</b>	<b>325,452</b>	<b>225,655</b>	<b>15.2%</b>	<b>14.3%</b>	<b>10.7%</b>	<b>21.0%</b>	<b>44.2%</b>
<b>Financial Income</b>								
Financial revenues	47,344	69,312	37,895	1.8%	3.0%	1.8%	-31.7%	82.9%
Financial expenses	(58,878)	(70,489)	(78,357)	-2.3%	-3.1%	-3.7%	-16.6%	-10.0%
<b>Result of equity method</b>	<b>(294)</b>	<b>(248)</b>	<b>(517)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.5%</b>	<b>-52.0%</b>
<b>Profit before taxes</b>	<b>382,104</b>	<b>324,027</b>	<b>184,676</b>	<b>14.7%</b>	<b>14.2%</b>	<b>8.7%</b>	<b>17.9%</b>	<b>75.5%</b>
Income tax and social contribution	(86,068)	(70,111)	(46,941)	-3.3%	-3.1%	-2.2%	22.8%	49.4%
Net profit (loss) from continuing operations	296,036	253,916	137,735	11.4%	11.1%	6.5%	16.6%	84.4%
Net profit (loss) from discontinued operation	(1,077)	(43,268)	(77,092)	0.0%	-1.9%	-3.7%	-97.5%	0.0%
<b>Net profit in the fiscal year</b>	<b>294,959</b>	<b>210,648</b>	<b>60,643</b>	<b>11.4%</b>	<b>9.2%</b>	<b>2.9%</b>	<b>40.0%</b>	<b>247.4%</b>



**Comments regarding the Company's consolidated financial and operating performance between the fiscal years ended on December 31, 2020 and 2019:**

**Net Income**

In the annual comparison, Net Revenue continued its accelerating trend, growing 13.8% in the comparison between 2020 and 2019. This growth was driven by the better performance of recurring revenue from software, which increased R\$224.9 million or 13.0% year over year, the main reasons for that are: (i) the growth in sales, net of 2churn2, especially in the SaaS model, which represented 65% of new sales in Q4/20; (ii) the high Renewal Rate of clients/customers during the year (above 98.5%); (iii) the adjustments for inflation of contracts with inflation rates higher than those applied in the same period of 2019; and (iv) the consolidation of Consinco's and Wealth Systems' results. As a highlight of the fiscal year 2020, we emphasize the acceleration of cloud sales, the revenue of which grew 27% in the year, in addition to the revenue from credit products of the Supplier group.

**Costs**

The Company's cost for the fiscal year ended on December 31, 2020 totaled R\$776.7 million, an increase of 4.4% compared with 2019. Disregarding the growth from Supplier (which is inorganic), TOTVS continued to improve its operational efficiency, making use of the remote working model to gain more productivity. Technology Costs decreased 1.2% year-over-year in fiscal year 2020. The drop in Non-Recurring Revenue from Services (as this revenue line has a lower margin level), the exponential increase in remote deployment, which reached a level close to 90%, in addition to the greater share of recurring revenues from sales of cloud solutions are some of the factors that have ensured the maximization of software cost efficiency.

As of April 30, 2020, the Company started to consolidate costs of credit products as a result of the acquisition of Supplier, and in 2019 such costs were not reflected on the financial statements.

**Expenses**

- **Research and Development** - Accumulated results in 2020 show that Research and Development (R&D) expenses represented 22.1% of Recurring Revenue, compared to 23.0% in 2019, confirming the gain in scale and efficiency, as a result of the increasingly intense use of insights generated by the telemetry analysis of our solutions, which enables a quick reallocation of resources to take advantage of opportunities and continuous investment in innovation, breadth, quality, and digitalization of our portfolio. In this context, some of the projects developed over 2020, with clear prospects of return in the medium/long term, met the capitalization criteria and totaled R\$18.9 million.
- **Sales and Marketing Expenses** - In the annual comparison, Sales and Marketing Expenses grew 20 basis points when comparing 2020 versus 2019, going from 18.6% to 18.8% of Net Revenue from Software. This growth is the result: (i) of the increase in the share of franchises in the total sales mix; (ii) of the consolidation of Consinco and Wealth Systems' results in the amount of R\$8.3 million over the year.
- **General and Administrative Expenses and Provision for Contingencies** - In 2020, the greater representation of this group of expenses, which went from 10.2% in 2019 to 11.6% of Net Revenue, was due to the combination: (i) of the increase in the provision for bonuses and long-term incentive plan (ILP); and (ii) of the consolidation of the results of Consinco, Wealth Systems, and Supplier in the amount of R\$45.3 million.
- **Depreciation and Amortization Expenses** - Depreciation expenses grew 8.9% when compared with the fiscal year 2019. This increase is explained by: (i) consolidation of Consinco, Wealth Systems, and





Supplier results; (ii) greater depreciation with electronic processing equipment, due to the increase in installed capacity. Amortization expenses also increased year-over-year due to the beginning of the amortization of intangible assets arising from the acquisitions of Consinco, Wealth Systems, and Supplier, and by the increase in amortization of the right of use properties due to contractual updates.

- **Provision for Expected Loss** - In the result for the year, the Provision for Expected Loss (former PCLD) represented 1.7% of Net Revenue, versus the 1.2% earned in 2019. In the Technology segment, this increase was a reflection of the increase in the average term of the receivables portfolio, whether due to the business practices adopted that extended the average term of securities due, or due to the volume of securities due, especially in sectors most impacted by the Covid-19 pandemic throughout 2020. For the Credit Products segment we can see that the portfolio loss rate is still below the historic low average of this indicator in the period, which reinforces the flexibility and resilience of Supplier's business model, besides its efficient management in granting credit.
- **Other Operating Income (Expenses)** - In the year-over-year comparison, Other operating income (expenses) grew by 17.9%. In 2020, this line was impacted by the reversal of obligations for investment acquisitions as a result of the annual review and update of the earn-out amounts of M&A transactions in the amount of R\$ 25.5 million versus the impacts of 2019 by the reversal of the earn-out provision of R\$3.7 million connected to the acquisition of equity interest in RJ Participações, in addition to the positive effect of R\$11.7 million from the sale of Ciashop to VTex.
- **Financial Result** - In the year-over-year comparison, the main items that affected the Financial Result were: (i) reduction in the average cash invested, as a result of the acquisitions made over 2020, together with the reduction in the Selic rate; and (ii) reduction, in Q4/20, of the adjustment to present value arising from the *earn-out* of acquisitions.
- **Income Tax and Social Contribution** - Regarding R&D projects, the tax benefit on expenses incurred in the subsequent issue of shares (follow-on) in 2019 increased the Total Effective Rate by 90 basis points.

### **Net profit from continuing operations**

The net income from the Company's continued operation for the year ended December 31, 2020 totaled R\$296 million, an increase of R\$42.1 million, or 16.6% if compared with 2019. In general, the increase in net income from continuing operations is the result of the increase in Recurring Revenue from Technology, the consolidation of Consinco, Wealth System, and Supplier results, and discipline in the management of the Company's costs and expenses.

### **Net loss from discontinued operation**

The Net Loss of the Company's discontinued operation in fiscal year 2020 totaled R\$1.1 million and refers to the amounts for the closure of the Bematech Asia operations.



## Comments regarding the Company's consolidated financial and operating performance between the fiscal years ended on December 31, 2019 and 2018:

### **Net Income**

The Company's Net Income, which comprises net revenue from software, totaled R\$2,282.1 billion in the fiscal year ended on December 31, 2019, which is an increase of R\$170.9 million, or 8.1% when compared to the previous fiscal year. Such growth is mainly due to the acceleration of Recurring Revenue, which grew 2 digits in all quarters of 2019, closing the year with an increase of 11.8% compared to 2018 and reaching a share of 75.3% in the Net revenue of the fiscal year.

### **Costs**

The Company's cost of software for the fiscal year ended on December 31, 2019 was of R\$ 743.9 million, an increase of R\$ 4.6 million, or 0.6% compared to 2018. The evolution of Net Revenue and the maintenance of cost levels caused the Gross Margin to expand by 240 base points, reaching 67.4%.

### **Expenses**

- **Research and Development** - This entry reflects especially the greater efficiency in the allocation of investments in R&D and the higher level of investments made in 2018 related to changes in the tax laws of that period. This gain in efficiency in distributing investments can be seen in the annual comparison, as such these expenses dropped from 18.1% in the 2018 Net Revenue to 17.4% in the 2019 Net Revenue. Such reduction is even more relevant when considering: (i) the higher level of bonus allowance due to targets achieved in the fiscal year; (ii) the increased allowance of Long-Term Incentive Plan (ILP) based on shares; (iii) the establishment of the Techfin team.
- **Sales and Marketing Expenses** - Comparing 2019 vs. 2018, the increase of this entry over Revenue was only of 30 base points, reaching 18.6% of Net Revenue, mainly due to: (i) the increase in sales volume through franchises; (ii) the impact of R\$ 2.1 million in expenses with terminations due to the adjustments in the sales team, on an extraordinary basis, even with the increase in the allowance for long-term incentive plan (ILP) that took place this year.
- **General and Administrative Expenses and Allowance for Contingencies** - In 2019, as a percentage of Revenue, these expenses decreased by 40 base points compared to 2018 figures, negatively impacted by: (i) R\$ 2 million in expenses with M&As in the period; (ii) R\$1.6 million of extraordinary expenses with personnel termination; (iii) increase in the allowance for bonuses; and (iv) allowance to grant shares carried out in Q2 2019, according to the Long-Term Incentive Plan (ILP).
- **Depreciation and Amortization Expenses** - Depreciation expenses grew 84.0% compared to 2018, mainly due to the impact of the application of IFRS 16 in the period. On the other hand, amortization expenses decreased in the annual comparison due to the end of assets amortization arising from acquisitions made in previous years.
- **Provision for Expected Loss** - In the annual comparison, it decreased by 23.1% compared with 2018, reaching 1.2% of Revenue. Such decreased levels in this allowance result from the reduction in *churn* and the general level of default in our customer base, which in part can also be regarded to the increased share of recurring sales in the Company's Revenue.



- **Other Operating Income (Expenses)** - This topic was impacted in 2019 by the reversal of the earn-out allowance by R\$3.7 million, bound to the acquisition of share interest in the company RJ Participações, in addition to the positive effect of R\$11.7 million from the sale of CiaShop to VTex.
- **Financial Result** - The Financial Result in 2019 was mostly impacted by: (i) the increase in Financial Revenue resulting from the investment of funds from the *follow-on* and cash generation; and (ii) reduction in gross debt, partially offset by financial expenses resulting from the application of IFRS 16 on lease agreements maintained by the Company.
- **Income Tax and Social Contribution** - In the annual comparison, the higher volume of Interest on Net Equity, together with expenses with the issue of shares, led to a total effective rate 380 base points lower than that ascertained in 2018.

The **Net Profit from the Company's continued operation** for the fiscal year ended on December 31, 2019 totaled R\$253.9 million, which is an increase of R\$116.2 million, or 84.4% compared to 2018, which totaled R\$137.7 million. In general, such increase reflects the better performance of operations as detailed in the previous topics.

#### **Net loss from discontinued operation**

The Net Loss from the Company's discontinued operation of fiscal year 2019 totaled R\$43.3 million, which is an improvement of R\$33.8 million over 2018, which totaled R\$ 77.1 million. The main impact arises from the allowance for recoverable amounts from the sale of assets from hardware operations in the amount of R\$48.8 million, or R\$32.2 million net of taxes.



## CASH FLOW STATEMENTS

The table below shows information extracted from the Company's Cash Flow Statements for fiscal years ended on December 31, 2020, 2019, and 2018. This table shows the key items that impacted the corresponding activities and, therefore, the Company's cash and cash equivalents.

### COMPARISON BETWEEN CASH FLOWS FOR FISCAL YEARS ENDED ON DECEMBER 31, 2020 AND 2019

(In thousands of Reals)	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019	HA (%)
Net cash generated from operating activities	371,742	345,299	7.7%
Net cash used in investment activities	(355,761)	(36,881)	864.6%
Net cash used in financing activities	(526,404)	776,939	-167.8%
Increase (Decrease) in cash and cash equivalents	(510,423)	1,085,357	-147.0%

### Analysis of the main variations referring to the fiscal year ended on December 31, 2020 compared to the fiscal year ended on December 31, 2019

Cash generated from operating activities for the year ended December 31, 2020 was R\$371.7 million, showing an increase of R\$26.4 million, or 7.7% compared with 2019, due to the increase in net income adjustments for items that do not affect cash of R\$128.8 million and for the lower volume of interest paid in 2020, especially for the payment of the non-conversion premium of debentures. Such effects, which increased the cash generated from operating activities, were partially offset by the increase in the credit rights of Supplier Participações.

Cash invested in investment activities for the year ended December 31, 2020 was R\$355.8 million, an increase of R\$318.8 million, or 864.6% compared to 2019, basically due to the amount paid in the acquisition of equity interest of the companies Consinco, Wealth Systems, Supplier, and Tail over the fiscal year 2020, which totaled R\$329.0 million, amount that is net of the cash acquired from such companies.

Cash used in financing activities for the year ended December 31, 2020 was R\$526.4 million, or 167.8% compared with 2019, mainly impacted by the fundraising in the *follow-on* that took place in 2019. In 2020, the 2017 debentures were redeemed in the amount of R\$200 million, and an additional payment of R\$58.3 million in dividends and interest on net equity was made.



## COMPARISON BETWEEN CASH FLOWS FOR FISCAL YEARS ENDED ON DECEMBER 31, 2019 AND 2018

(In thousands of Reals)	Fiscal year ended on December 31, 2019	Fiscal year ended on December 31, 2018	HA (%)
Net cash generated from operating activities	345,299	417,838	-17.4%
Net cash used in investment activities	(36,881)	(94,044)	-60.8%
Net cash used in financing activities	776,939	(258,164)	-400.9%
Increase (Decrease) in cash and cash equivalents	1,085,357	65,630	1553.8%

### Review of the key variations for the fiscal year ended on December 31, 2019 compared to the fiscal year ended on December 31, 2018

Cash generated from operating activities in fiscal year ended on December 31, 2019 was of R\$ 345.3 million, a decrease of R\$ 72.5 million, or 17.4% compared to 2018, due to the increase of working capital needs, due to the higher level of tax credits used in 2018, because of the payment of labor obligations with extraordinary costs of termination of personnel and the higher volume of interests paid, especially for the payment of the non-conversion premium of debentures.

Cash invested in investment activities for fiscal year ended on December 31, 2019 was of R\$36.9 million, a reduction of R\$ 57.2 million, or 60.8% compared to 2018, due to the amounts received from the sale of both Ciashop and the hardware operation in 2019.

Cash used in financing activities for fiscal year ended on December 31, 2019 was of R\$776.9 million, or 400.9% compared to 2018, impacted by fundraising in the *follow-on*.



## 10.2 - Operating and Financial Result

### a Results of the issuer's operations, especially:

#### i. Description of any important accounts making part of revenue

The criteria for recognizing revenue from software have not had significant changes that could compromise their comparability in fiscal years 2018, 2019, and 2020.

In 2018, the Company adopted a new standard for presenting its financial and operating performance. Such change was due to the separation of Software results from Hardware ones, aiming at presenting the performance of the Software business more clearly since the Company intended to divest its Hardware operations, which took place in 2019.

On April 30, 2020, with the acquisition of Supplier, a company focused on B2B credit and developing solutions for the relationship between customers and suppliers, the Company started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses, starting to present a new segment of revenue connected to the operation of Credit Products.

Further details on revenue recognition are available in paragraph h.

#### ii. Factors that materially affected the operating results

The key factors that impacted the Company's operating results in fiscal years ended on December 31, 2020, 2019 and 2018 were the following:

- (i) **Change of strategy in the hardware business:** the change of strategy in the hardware operation made the Bemacash solution (which changed its name to Eleve from 2020 on) to become agnostic (i.e., able to operate on various devices and interact with any systems) combined with the migration of the TEF (Electronic transfer of funds) structure for the software operation, resulted in an allowance for *impairment* for hardware operation in the amount of R\$87 million, impacting the 35% reduction in net income during the fiscal year 2018. After the transfers of the abovementioned operations, in 2019 the Company sold its Hardware operations.
- (ii) **Credit Product Segment:** the acquisition of Supplier on April 30, 2020, made a new segment to be created within the Company's operations, called "Credit Products" (see section 10.3 b for further details on the acquisition). The Company then started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses. Supplier holds subordinated shares of a securitization fund called "Fundo de Investimento em Direitos Creditórios" (Credit Rights Investment Fund) (hereinafter referred to as "Supplier FIDC"), which buys, sells, and securitizes its own or third-party credit rights.
- (iii) **Economic activity:** the decreased level of activity in the Brazilian economy observed in the past few years has been directly impacting clients' appetite to invest in software solutions, often postponing their decision. In such a scenario, new clients end up asking for a greater extension in the payment term, in addition to sales conditions below the historical average that the Company has practiced in recent years, thus impacting the average ticket. Brazil still has a modest degree of investment in technologies,



especially by small- and medium-sized companies, which represent more than 98% of the local economy, but it has been showing signs of improvement in digitalization in recent years. This, combined with the strong demand for credit for business expansion, which grew 29% in 2020 according to the Neurotech Demand for Credit Index (INDC), at a time when the Covid-19 pandemic imposes additional challenges on everyone, end up bringing innumerable opportunities for growth, increased productivity and competitiveness.

- (iv) Investments in research and development:** one of the Company's business leverage pillars is innovation in new solutions and technologies. Even in a scenario of economic downturn, the Company has been keeping high investments in research and development. Research expenses in fiscal years ended on December 31, 2020, 2019 and 2018 correspond to 16.6%, 17.4% and 18.1% of the net revenues from software sales for the aforementioned fiscal years, respectively; and
- (v) Tax benefits:** TOTVS makes use of tax incentives that help the Company in its investments in innovation and best practices in employability, collaborating with the excellence in its products and stability in the number of its staff. The Company takes part in the so-called "Lei do Bem" (Brazilian law that grants tax benefits for companies investing in R&D for innovative technology), which helps the development of products that contribute to better meeting customer needs and developing Brazil's innovation agenda. On the other hand, lower payroll and staff costs helps the organization to keep jobs and skilled labor. We do not guarantee continuity in the use of these benefits because they are granted by the federal government and depend on the government's decision to keep them;
- (vi) Adoption of the IFRS 16:** On January 1st, 2019, the new standard that governs the accounting treatment of Leasing Operations [IFRS 16/CPC 06 (R2)] issued by IASB and CPC [Brazilian Committee of Accounting Standards], respectively, became effective. To implement such standard, the Company adopted the modified retrospective approach. As a result, the financial information as of December 31, 2018 and 2017 were not adjusted to reflect the adoption of IFRS 16/CPC 06 (R2) and, therefore, cannot be compared with the financial information as of December 31, 2019, which reflect the effects of adopting such newer standard. Such IFRS-16/CPC06 (R6) sets forth a new accounting model for leasing, through which on the date the lease starts, the lessee recognizes a lease liability to make payments (increasing the gross debt) and an asset representing the right to use the underlying asset during the leasing term. Accordingly, interest expenses on the leasing liability and the expense for depreciation of the right to use the asset will be recognized in the operating result, instead of the previous system through which lease expenses were recognized in the Company's operating result.

### **iii. Variations in revenues attributable to changes in prices, exchange rates, inflation, changes in volumes and introduction of new products and services**

Revenues from Recurring Software, which represented 79.2% of the Company's Total Net Revenue for the fiscal year ended in 2020 (75.8% in the same period of 2019) are indexed to the IGP-M rate (General Market Price Index) and the IPC-A rate, being updated according to the "anniversary" of each contract executed with clients.

Regarding the economic indexes that directly affect TOTVS's businesses, the IGP-M had an intense monthly variation during the year and closed with an accumulated increase of 21.97%, while the IPCA index remained in 4.52%, which is 0.21 percentage points above the 4.31% recorded in 2019. In terms of monetary policy, the Selic rate ended the year at 2%. Despite the challenges faced in the economic environment, the structural changes





that have been bringing interest rates to the lowest levels in history have boosted the Brazilian capital market, which is undergoing a strong transformation and capitalized on an opportunity with the crisis: the number of investing individuals exceeded the mark of more than 3.2 million (an increase of more than 2 million in the year), with highlights for the diversification of investments and the participation of the younger segments of the population and women in the period.

In 2019, the IGP-M index closed with an accumulated increase of 7.3%, while the IPCA remained at 4.31%, 0.56 percentage points above the 3.75% recorded in 2018. As for monetary policy, the Selic rate started the year at 6.5%, going through four reductions that led it to end the year at the historic low figure of 4.5%. Such a scenario boosted the great demand for variable rate investments, which positively impacted the market of securities, with the Ibovespa rate breaking consecutive historical records in 2019 and reaching 115 thousand points, which represented a growth of 31.6% compared to 2018. According to data released by the United Nations Conference on Trade and Development (UNCTAD), Brazil was the 4th destination that most attracted foreign investments in the year, reaching the mark of US\$ 75 billion in 2019, against US\$ 60 billion in 2018: an increase of 26% in the period.

#### **b. Impact of inflation, changes in prices of key inputs and products, exchange and interest rates on operating results and financial results of the issuer**

The Company's operating result may be affected by economic changes, especially with regard to the Brazilian short- and long-term interest rate, inflation index, and exchange rate policy. However, from the historical point of view, such changes have had their effect mitigated for the Company due to the dispersion of its installed client base, composed of companies of practically all sizes and sectors of the Brazilian economy.

Several services used by the Company have their values updated based on the variation of the Brazilian inflation rates known as IGP-M or IPC-A, including personnel expenses (salaries, charges, and benefits), in addition to other expenses, such as travel, communication, and rent, which are also influenced by such inflation rates. However, such an impact is mitigated as recurring revenues are also indexed by inflation (IGP-M and IPCA).

The impact of the 12-month weighted average of the IGP-M rate on the Company's recurring revenues, disregarding the cancellation of recurring maintenance and subscription agreements, resulted in a positive impact on the Company's total net revenue of approximately 12.8% in 2020, 5.9% in 2019, and 3.5% in 2018. On the other hand, the impact of the 12-month weighted average IGP-M and the average IPC-A rates on the Company's operating costs and expenses was of approximately 8.5% in 2020, 4% in 2019, and 3% in 2018.

The variation in interest rates in Brazil may indirectly influence the Company's operating results, as any increase in such rates may lead to a retraction in technology investments made by current clients and potential clients. Thus, it is not possible to dimension the real impact of the variation in interest rates on the Company's operating result, but it is worth mentioning that, historically, in periods when the benchmark SELIC rate rose, the Company did not fail to record growth in sales.

In terms of financial results, the Company, through its subsidiary Supplier, maintains a loan for working capital bound to the Interbank Deposit Certificate (CDI) and it was exposed to financing from BNDES credit facilities, bound to the long-term interest rate (TJLP), which remained net during the fiscal years 2019 and 2020. The debentures issued in 2017 and 2020 bound to the CDI rate variation were settled in the second half of 2020. In the fiscal year ended on December 31, 2020, the interest incurred connected to loans, financing, and debentures



represented 40.5% of the financial expense, compared to 65.6% in the fiscal year ended on December 31, 2019 and 67.3% in the fiscal year ended December 31, 2018.

The Company's debt is exposed to the following indicators in each period stated below:

<b>Transaction</b>	<b>Risk</b>	<b>Indicators</b>
BNDES financing bound to TJLP rate	TJLP rate	TJLP + 0.52% at 1.52% pa
Debentures (2017)	CDI	105.95% of CDI rate
Debentures (2020)	CDI	CDI + 2.65% pa
Working capital	CDI	CDI + 1.90% pa

The Company has financial investment policies that require investments to focus on low-risk securities and investments in first-tier financial entities and are substantially remunerated based on percentages of the Interbank Deposit Certificate (CDI) variation. Financial income from such investments, which are pegged to interest rates, in the fiscal year ended December 31, 2020 represented 72.1% of financial income, compared to 87.9% in the fiscal year ended December 31, 2019 and 68.6% in the fiscal year ended December 31, 2018.

In addition, revenues of some subsidiaries that operate internationally are exposed to exchange rate risk arising from exposures in certain currencies such as the Dollar of the United States of America (USD), Argentine Peso (ARS), Mexican Peso (MXN), and Chilean Peso (CLP). The Company endeavors efforts so that its net exposure is maintained at an acceptable level in accordance with the policies and limits determined by Management.



### 10.3 - Events with significant, occurred, and expected effects on the financial statements

#### a. acquisition or sale of operating segment

Aiming at expanding the Company's strategic focus on software operations, the Management sold its hardware operations in 2019. The result of the said sale of its hardware operations generated a net loss of R\$44,946 recorded under the account "Loss from discontinued operations".

The result of the hardware operation was classified as a discontinued operation, pursuant to IFRS 05/ CPC 31, disclosed in a separate line on the Company's income statement on December 31, 2020, 2019, and 2018 on a comparative basis.

On April 30, 2020, the Company acquired the control of Supplier, a B2B credit operation company, especially in the relationship between customers and suppliers. Supplier, in turn, has subordinated shares of the Supplier FIDC fund, which is being consolidated in the group's financial statements. As a result, the Company started to follow up and manage the performance of this new business, so TOTVS introduced the statements of the financial and operational results for this new segment called Credit Products - Supplier.

The Credit Products Segment - Supplier considers Supplier's businesses that involve, in addition to origination, the assumption of some degree of credit risk and/or the determination and/or use of credit policies, for instance, the products known as "Supplier Card", "Antecipa", and "Mais Prazo". In this segment, the results obtained from the Supplier FIDC's subordinated shares are also consolidated, to which the company Supplier Administradora currently assigns the originated credits.

Aiming at contributing to achieve its strategic purposes, the Company constantly assesses investment and divestment opportunities. The main transactions carried out by Company are shown in paragraph b. of this section.

#### b. creation, acquisition, or disposal of equity interest

The key mergers, acquisitions, and disposals made by the Company in the last 3 years are listed below, in chronological order:

#### 2020

**Neolog** - on January 28, 2020 the Company acquired the remaining 40% interest in the capital of the subsidiary Neolog for the amount of R\$ 7,120, with the put option being exercised by the selling shareholder.

**Acquisition of Consinco** - On January 30, 2020, the Company, through its subsidiary Soluções em Software e Serviços TTS Ltda., acquired 100% of the capital stock of Consinco S.A., a corporation that provides management systems for vertical operations of supermarkets and wholesalers in the Brazilian market, under the agreement executed on December 27, 2019, for an approximate amount of R\$240,636, of which R\$197,000 were paid on the date of the transaction. The transaction provided for a price adjustment after the acquisition that resulted in an amount received of R\$5,624, totaling R\$191,376. In addition, the agreement provides for the payment of a complementary purchase price of up to R\$55,000, with the estimated fair value at the acquisition date being R\$49,260, subject to the achievement of goals determined for the acquired company for the years 2020 and 2021 and the compliance with other conditions, to be paid in 2021 and 2022, respectively.



**Acquisition of Wealth Systems** - On April 8, 2020, the Company, through its subsidiary TOTVS Large, acquired 100% of the capital stock of Wealth Systems Ltda. for the amount of R\$27,000, of which R\$11,750 were paid in cash to the sellers and the remainder will be paid in the fiscal year 2023 upon the achievement of performance goals determined for Wealth Systems. The residual amount less the price adjustment provided for in the agreement upon the acquisition date was R\$2,994.

**Acquisition of Supplier** - On April 30, 2020, after the fulfillment of all conditions precedent, the Company completed the acquisition of 88.75% of the capital stock of Supplier Participações, through its subsidiary TOTVS Tecnologia em Software de Gestão Ltda., a company focused on B2B credit between customers and suppliers, for the amount of R\$458,405. The transaction started on October 28, 2019 and was approved by CADE (the Brazilian Antitrust Agency) in December 2019.

In addition, the transaction also provides for the option to buy and sell the remaining portion of Supplier Participações, which may be exercised from 2022 to 2026. The exercise price of such options will be measured based on multiples calculated by Supplier's performance for each year. Considering that the option to buy and sell additional interest issued in favor of non-controlling shareholders was agreed to together with a business combination, the fair value of the obligation was recognized and recorded under the caption "Obligations for acquisition of investments".

Supplier, pursuant to CPC36 (R3) / IFRS 10, consolidates Supplier FIDC which is legally an investment fund authorized by the Brazilian Monetary Council and specifically designed as an investment vehicle for investment in Brazilian credit receivables. As a result of the consolidation of Supplier FIDC, the senior and mezzanine shares are accounted for as a financial liability under the caption "Senior and mezzanine shares", and the remuneration for the valuation of shares to the benefit of the holders of the senior and mezzanine shares is recorded as the cost of the transaction.

**Acquisition of Tail** - On December 19, 2020, the Company, through its subsidiary TOTVS Large, acquired 100% of the capital stock of Tail Target Tecnologia de Informação Ltda. for the amount of R\$42,000, and the payments of which were distributed as follows: (i) R\$7,800 were paid in cash; (ii) R 4,073 referring to installments retained to comply with conditions set forth in the agreement; and (iii) R\$20,000 to be paid upon reaching the goals set for Tail to achieve for the years 2021 and 2022, whose fair value on the acquisition date was R\$11,600.

Tail is a provider of a data intelligence platform that provides *insights* to clients and customers through real-time monitoring of the behavior of a wide audience on the Internet aiming at optimizing their clients' sales.

## **2019**

**Ciashop** - On May 9, 2019, the Company entered into an agreement to sell 70.47% of the interests it held in Ciashop's capital stock to VTEX S.A. for the amount of R\$21,175. This transaction was completed on July 31, 2019, after being approved by the Brazilian antitrust authorities. The net gain from the sale of Ciashop was recorded under the entry "Other operating income and expenses" on the income statement.

**Hardware Operations** - On October 24, 2019, the Company announced the completion of the sale of its Brazilian hardware operations, through the subsidiary Bematech Hardware Ltda. to ELGIN S.A. for the amount of R\$25,000, received in full in the fiscal year 2020.



On November 6, 2019, the sale of Bematech International Corporation (BIC) to Reason Capital Group LLC. was completed, pursuant to an agreement executed on July 2, 2019, for the amount of US\$4.4 million - corresponding to R\$ 17,528, after adjustments set forth in the agreement, of which US\$ 1.5 million - corresponding to R\$5,988 - were retained as collateral and shall be released by November 5, 2022.

## **2018**

**RJ Participações** : on May 9, 2018, the subsidiary Bematech S.A. (currently known as TOTVS Large) exercised an additional purchase option of an additional 20% of the capital stock of RJ Participações, reaching a share of 80%. The amount for such acquisition was R\$9.9 million, of which R\$4.3 million was paid on the date the option was exercised, and the remainder was paid over the fiscal year 2019. In such same transaction the option to buy and sell the remaining 20% interest was extended to 2021 to be measured based on the performance metrics of 2020. As the initial contract to acquire RJ Participações had already provided for the purchase and sale options of the remaining stake, the Company consolidates 100% of its results and maintains an estimate of the payment under the liability account as "Investment acquisition obligations". During the fiscal year 2019, the amount of R\$ 3.7 million related to the earnout of the acquisition of RJ Participações was reversed because the goals set forth in the stake acquisition agreement were not achieved.

**Passlack:** on August 1, 2018, the subsidiary TFS Soluções em Software Ltda. acquired and merged Passlack Consultoria em Informática Ltda., a company focused on development and support for the *Financial Services* segment for R\$8.2 million. Passlack's net assets were acquired according to the shareholders' equity appraisal report, approved at a partners' meeting together with the corresponding acquisition protocol and justification.

### **c. unusual events or transactions**

On December 4, 2019 the Company informed in a Notice to the Market that the Lease Agreement executed on October 16, 2013 between the Company and the corporation VIP VII - Empreendimentos e Participações S.A., the purpose of which is to lease the property in which the headquarters of TOTVS is installed was no longer a contract with a Related Party, in view of the change in the corporate structure of VIP VII, according to a material fact disclosed by the securities brokers Credit Suisse Hedging-Griffo, as the managing institution of CSHG Real Estate - Fundo de Investimento Imobiliário - FII, on the same date.



## 10.4 - Material changes in accounting practices - Qualifications and emphases in the auditor's report

### a. material changes in accounting practices

On January 1, 2018 the new accounting standards issued by the IASB (*International Accounting Standards Board*) and CPC (Brazilian Committee of Accounting Standards) became effective, which resulted in the changes listed below:

**IFRS-9/ CPC-48** - Financial Instruments: it sets forth, among other requirements, a new model of *impairment* of financial assets for expected and incurred losses, replacing the previous model that considered only the losses incurred based on mere signs of default. The application of such a standard resulted in the creation of an additional allowance for settlement credits, based on the historical loss determined in each "aging-list" range of the accounts receivable portfolio, including those due, combined with the clients' payment likelihood provided by credit protection entities.

**IFRS-15/CPC-47** - Agreements with Clients: this standard sets forth new requirements to recognize revenues from agreements with clients based on the fulfillment of the so-called "performance obligations" (deliveries) and requires the deferral of the incremental costs incurred in sales. The application of this standard resulted in the recognition of recurring maintenance and subscription revenues during the grace periods, as well as the deferral of selling expenses and the allowance of commission expenses, as a way to "linearize" the result throughout the estimated life of such agreements. The service revenue recognition method has also had adjustments, starting to calculate the percentage of completion of projects (*PoC - Percentage of Completion*) based on the costs incurred compared to the updated estimates of total costs required to complete the projects.

On January 1, 2019 the new accounting standard issued by IASB (*International Accounting Standards Board*) and CPC (Brazilian Committee of Accounting Standards) came into effect:

Such **IFRS 16/CPC 06** sets forth a new accounting model for leasing, through which on the date the lease starts, the lessee recognizes a lease liability to make payments (increasing the gross debt) and an asset representing the right to use the underlying asset during the leasing term. Accordingly, interest expenses on the leasing liability and the expense for depreciation of the right to use the asset will be recognized in the operating result, instead of the previous system through which lease expenses were recognized in the Company's operating result.

There were no changes to the accounting standard in 2020 that impacted the Company's financial statements.

### b. material effects of changes on accounting practices

On January 1, 2019, the adoption of IFRS 16/ CPC 06 (R2) resulted in increased fixed assets of R\$236.8 million and a leasing liability (current and non-current) and other non-current liabilities in the amount of R\$236.8 million. As part of the recognition of the right to use real estate assets for the contracted period, the Company reversed the deferred amount from the grace period applied to some lease agreements which resulted in an increase of Shareholders' Equity of R\$ 4.3 million.

On January 1, 2018 the initial adoption of IFRS 9/ CPC 48 and IFRS 15/ CPC 47 generated a reduction in Shareholders' Equity of R\$8.0 million.



In the fiscal year ended on December 31, 2018 the adoption of IFRS 9/ CPC 48 resulted in an increased expense of R\$ 6.2 million in the allowance for doubtful accounts, while IFRS 15/ CPC 47 resulted in an increase of R\$ 9.2 million in Net Revenue and R\$ 1.9 million in Sales and Marketing Expenses.

**c. reservations and emphases present in the auditor's report**

The Company has no history of restrictions and/or emphases present in the opinions issued by its independent auditors.





### 10.5 - Critical accounting policies

The key accounting practices adopted by the Company are described in the Financial Statements for fiscal years ended December 31, 2020, 2019, and 2018 available on the Company's Investor Relations website and on the website of the Brazilian Securities and Exchange Commission ([www.cvm.gov.br](http://www.cvm.gov.br)).

The preparation of financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by the Company's management in the process of applying accounting policies of TOTVS S.A. and its controlled companies.

#### Judgments

In the process of applying the consolidated accounting policies, the Management made the following judgments that may have a significant effect on the amounts recognized in the individual and consolidated financial statements:

- (i) Judgments connected to the identification of performance obligations for software sales, which include license fee, monthly software service, and implementation/customization services that can have material effects on the recognition of contract revenue with clients. The Company concluded that such performance obligations are different since they are sold separately, because the implementation and customization services are also offered by other suppliers.
- (ii) The Company sets forth the leasing time term as a contractual term that cannot be cancelled, together with the periods included in any renewal option to the extent that such renewal is deemed as reasonably certain and with periods covered by an option to terminate the agreement to the extent that it is also assessed as reasonably certain.

#### Estimates and assumptions

The estimates and assumptions that present a significant risk and that require a higher level of judgment and complexity for the Company's financial statements are the following:

- (i) **Allowance for expected losses from accounts receivable** - the Company and its subsidiaries use a provision matrix based on the historical loss rates observed by the group to calculate the expected credit loss. The assessment of the correlation between observed historical loss rates, expected economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in expected economic conditions and circumstances. The historical experience of credit loss of the Company and its subsidiaries and the forecast of economic conditions may also not represent the client's real standard in the future.
- (ii) **Recoverable value of tangible and intangible assets, including goodwill** - an impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable value, which is the higher of the net fair value of the sales expenses and the value in use.
- (iii) **Deferred taxes** - Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that there will be taxable income available to allow the use of said losses. Significant management's judgment is required to determine the value of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, along with future tax planning strategies.



- (iv) Allowance for contingencies bound to lawsuits** - The likelihood of loss includes the assessment of the available evidence, the hierarchy of laws, the available case law, the most recent court decisions and their relevance in the legal system, as well as their assessment by external lawyers. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable prescription periods, conclusions of tax inspections or additional exposures found based on new matters or court decisions.
- (v) Revenue from non-recurring services** - the recognition of revenue from software implementation and customization services requires the use of estimates in the projection of total costs required to fulfill the performance obligation under agreements with clients. The Company periodically reassesses such estimates and replans the contractual margins whenever necessary.

The settlement of transactions involving such estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent to the estimation process. The Company reviews its estimates at least once a year.



## **10.6 - Material entries not acknowledged in the financial statements**

**a. the assets and liabilities held by the issuer, directly or indirectly, that do not appear on its balance sheets (*off-balance sheet items*), such as:**

**i. operating leasing transactions, assets and liabilities**

There are no relevant items of this nature not evidenced on the Financial Statements as of December 31, 2020 and 2019.

For the Financial Statements of the fiscal years ended on December 31, 2018, the Company presented the contract with VIP VII - Empreendimentos e Participações Ltda., for the construction and lease of the new headquarters, the purpose of which was to integrate the Company's facilities in the city of São Paulo for a minimum period of 10 years from the delivery date that took place in 2017.

**ii. portfolios of receivables written off over which the organization maintains risks and responsibilities, indicating their corresponding liabilities**

There are no relevant items of this nature not shown in the financial statements.

**iii. contracts for future purchase and sale of goods or services**

There are no relevant items of this nature not shown in the financial statements.

**iv. unfinished construction contracts**

There are no relevant items of this nature not shown in the financial statements.

**v. contracts for future financing receivables**

There are no relevant items of this nature not shown in the financial statements.

**b. other items not shown in the financial statements**

Not applicable.



#### **10.7 - Comments on items not acknowledged in the financial statements**

**a. how such items change or may change revenues, expenses, operating results, financial expenses or other items in the issuer's financial statements**

There are no relevant items of this nature not shown in the financial statements.

**b. nature and purpose of the operation**

There are no relevant items of this nature not shown in the financial statements.

**c. nature and amount of obligations undertaken and rights generated in favor of the issuer as a result of the transaction**

There are no relevant items of this nature not shown in the financial statements.



## 10.8 - Business Plan

### a. investments, including:

#### i. quantitative and qualitative description of ongoing investments and projected investments.

The Company keeps its strategy of seeking inorganic growth through mergers and acquisitions of companies that develop management software or companies that can expand the Company's value-added service offerings, in the Brazilian and/or in the global market. However, it is worth stressing that due to the COVID-19 pandemic that had its first effects during the first half of 2020, the Company believes that such investments can be reevaluated in order to preserve the liquidity of its businesses.

Research and Development (R&D) is another relevant segment in the investment plan, because of its strategic importance for the economic sector in which the Company operates. Such investments allow us to offer solutions that are more and more adherent to the needs of clients and add technological innovations that provide greater productivity for the users of our solutions.

Research and Development (R&D) expenses on the Financial Statements for the period ended on December 31, 2020, 2019, and 2018 reached R\$431.3 million, R\$ 397.8 million, and R\$ 382.1 million, respectively.

The Company's key investment initiatives in Research and Development in the last three years were aimed at facilitating access to our customers to financial services in a more technological, agile and economical way (Techfin), Artificial Intelligence (AI), and compliance with new regulations:

- Projects aimed at expanding, simplifying, and making cheaper our clients' access to financial services through the new front of Techfin. In 2020, the products "TOTVS Antecipa" and "TOTVS Mais Prazo" were launched.
- Such are Projects aimed at bringing innovation to the financial market, generating better operational results for users of *financial service* tools.
- Investments in project to meet the needs of the manufacturing markets, integrating the various solutions with agility and always seeking the best practices of industry 4.0.
- Projects focused on platform integration and productivity aim at facilitating the management and use of cloud infrastructure.
- Research and development applied to promote efficiency gains and best practices in the management of carriers, logistics operators, ports, and bonded areas and warehouses.
- Research and development aimed at adding innovations to the retail segment, seeking to bring new and better experiences to users and clients of these solutions.
- Investments in an artificial intelligence project that will promote innovation, efficiency, and performance gains in the various solutions developed by the Company in several segments.

#### ii. sources of investment financing

Investments in R&D have as financing source funds generated by the Company's operating activities and funds coming chiefly from PROSOFT, PSI, and Debentures (see section 10.1.f). In addition to the resources generated in operating activities, mergers and acquisitions of companies can also be made feasible through structured transactions involving both own and third-party resources according to the magnitude of the transaction.



**iii. relevant divestitures in progress, and planned divestitures**

Currently, the Company has no relevant and/or planned divestments.

**b. as long as it has already been disclosed, indicate the acquisition of factories, equipment, patents or other assets that should materially influence the issuer's productive capacity**

Not applicable.

**c. New products and services, including:**

**i. description of ongoing research already disclosed**

Not applicable.

**ii. total amount spent by issuer with reasearch for development of new products or services**

Not applicable.

**iii. developing projects already disclosed**

Not applicable.

**iv. total amounts spent by issuer to develop new products or services**

Total Research and Development expenses reached 16.6%, 17.4%, and 18.1% of the Company's net revenue, for the fiscal years ended on December 31, 2020, 2019, and 2018, respectively. In addition, over 2020 the Company capitalized expenses with the development of some projects, with clear prospects of return in the medium/long term, which totaled R\$18.9 million.



### 10.9 - Other factors with relevant influence

The Company monitors the impacts resulting from the Covid-19 pandemic and has been taking preventive and mitigating measures in line with the guidelines set forth by the health authorities regarding the safety of its participants (TOTVERS) and the continuity of its operations.

Among the measures adopted by the Company, the following ones stand out:

- (i) Creation of a Crisis Committee that developed several actions for its ecosystem during such period, promoting social responsibility with the sector, society, and employees;
- (ii) Adoption of the remote work practice (aka *home office*) for all its units, as well as the implementation of the possibility of gradual and voluntary return of TOTVERS who do not declare themselves to be in any risk group, under safe conditions, based on official health guidelines in force in every city in which we have units;
- (iii) Suspension of international travel and restriction of domestic travel;
- (iv) Implementation, with our health care company, of a 24-hour telephone service to support all TOTVERS;
- (v) Even more austere monitoring of accounts receivable during the pandemic, which despite the increase in the provision for expected loss in Q2'20, the Company has observed an improvement both in the timely payment by clients and customers and a reduction of estimated losses;
- (vi) Layoffs or initiatives to reduce wages and work hours were not adopted by the Company;
- (vii) The Company's operations remained at a normal level, even in the sudden new model of remote work, both in terms of service and support for our clients and customers.
- (viii) Creation of a specific online page, in which all the Company's stakeholders were able to follow up the developments of the pandemic and the actions taken on products and services so that our clients and customers could adapt to the scenario, such as, for example, changes in tax and labor obligations;
- (ix) More than 30 thousand free online training places were made available to customers and other persons interested in taking courses on products and services provided by TOTVS; and
- (x) TOTVS took part in the development of the Minimum Return Protocol to business activities promoted by Brasscom (Brazilian Association of Information and Communication Technology Companies).





### **11.1 – Projections disclosed and assumptions**

The Company does not have any public financial projections.

On November 27, 2020, the Company announced by means of a Material Fact that projections regarding potential synergies resulting from the business combination between TOTVS and Linx disclosed in a Material Fact of October 8, 2020 are discontinued.

### **11.2 - Monitoring of and amendments to projections disclosed**

The Company does not have any public financial projections.



## **12. 1 – Description of management structure**

### **a. duties of the board of directors and standing bodies and committees that report to the board of directors**

#### **Board of Directors**

As provided for in the Company's Bylaws, approved at the Extraordinary General Meeting held on April 20, 2021 (the "Bylaws";), the Board of Directors is responsible for:

- i. setting the general course of the Company's business;
- ii. electing and dismissing the Company's officers and assigning their duties;
- iii. calling General Meetings when deemed convenient or pursuant to Article 132 of The Brazilian Corporate Law;
- iv. overseeing the officers' performance of their duties, examining the Company's books and papers at any time, and asking for details of contracts entered into or due to be entered into and any other acts;
- v. selecting and removing the Company's independent auditors;
- vi. stating their prior opinion on Management's Report and the Executive Board's accounts and deciding to submit them to General Meetings;
- vii. approving annual and multi-annual budgets of the Company, its subsidiaries and affiliates, strategic plans, expansion projects and investment programs, and monitoring their execution;
- viii. deciding on opening, closing or altering the Company's offshore branches or subsidiaries;
- ix. authorizing issues of the Company's shares and subscription warrants within the limits of the Company's authorized capital;
- x. deciding on the Company's acquisitions of its own shares to be held in treasury and/or for subsequent cancellation or sale;
- xi. deciding on stock options or share subscriptions granted to managers and employees, and to managers and employees of other companies directly or indirectly controlled by the Company, without preemptive rights for shareholders pursuant to plans approved at General Meetings, having weighed the opinion of the Personnel and Compensation Committee;
- xii. submitting proposals for allocating the year's net income to General Shareholders' Meetings;
- xiii. individually distributing to officers a portion of Management's overall annual compensation decided by General Meetings, after considering the opinion of the Personnel and Compensation Committee;
- xiv. deciding on any business or agreements between (a) the Company and any of its subsidiaries (except wholly owned ones), and (b) between the Company or its subsidiaries (wholly owned or otherwise) and any officers and/or shareholders (including companies directly or indirectly controlled by said managers and/or shareholders or any of their related parties);



- xv. resolving on the issue for public distribution of any debt securities or bonds, including promissory notes, regardless of their amount;
- xvi. deciding on subscriptions, acquisitions, disposals or encumbrance by the Company of shares or any securities issued by any of the Company's controlled or affiliated companies, except for transactions involving only the Company and wholly-owned companies;
- xvii. deciding on the Company's interest in other entities or other ventures, including consortiums or unincorporated joint ventures or silent partnerships;
- xviii. deciding to pay out or crediting interest on equity as per applicable law;
- xix. deciding on interim dividend payouts including from retained earnings or profit reserve accounts existing in the most recent annual or interim balance sheets;
- xx. deciding on assignment or transfer by any means to a third party, of intellectual or industrial property rights of the Company and/or a company directly and/or indirectly controlled by it, except for any remunerated licensing made by the Company in the ordinary course of business;
- xxi. authorizing the following acts for amounts of over five percent (5%) of subscribed capital stock, this amount to be considered as a separate transaction or a set of related transactions: (a) acquisition by the Company, by any means, of assets of another company, including subsidiaries or affiliates; (b) divestiture of "permanent assets" items, (c) guarantees of any nature to be provided by the Company; (d) the granting of loans in favor of any third party; (e) investment in expansion and improvement projects that are not included in the Company's annual budget; (f) taking on long or short-term debt; and (g) entering into any long-term contracts (for more than a year);
- xxii. stating their opinion in favor of or against any public tender offer for the Company's shares through an informed opinion disclosed within 15 days of publication of a public tender offer for shares, which must address at least (a) the convenience and timeliness of the public offering for shares in relation to the interests of the Company and its shareholders as a whole, including the price and potential impacts on the shares' liquidity; (b) strategic plans for the Company disclosed by the offeror; (c) any alternatives to accepting the public tender offer for shares that may be available on the market; (d) the Company's economic value and (e) other points that the Board of Directors believes to be pertinent, as well as information required under applicable CVM rules;
- xxiii. stating their opinions of the terms and conditions of corporate reorganizations, capital increases and other transactions that give rise to a change in control, and formally stating whether they ensure fair and equitable treatment for the Company's shareholders.

The Board of Directors has its own Charter, or Internal Regulation, which also applies to the Advisory Committees, under the terms approved by the Board of Directors' Meeting held on March 11, 2019, filed at the Company's headquarters and available on the Company's Investor Relations *website* (<https://ri.totvs.com/en/esg/bylaws-policies-and-charters/>), which governs their activities, observing the provisions set forth in the Bylaws and the laws in force (the "Internal Regulation").

In addition to the duties set forth in the Company's bylaws, the internal regulations determine the following powers for the Board of Directors:

- (i) devising business strategies that weight the impacts of the Company's activities on society and the environment while ensuring the Company's perpetuity and long-term value creation;



- (ii) monitoring the Company's operations and periodically assessing their risk exposure and the efficacy of its risk management systems, internal controls and compliance system as per previously approved policy;
- (iii) deciding on the Company's values and ethical principles and ensuring the integrity of its corporate culture and the Company's transparency in its relations with all stakeholders;
- (iv) biannually assessing independent directors and submitting their names to General Meetings as well as stating and explaining any circumstances that may compromise their independence;
- (v) periodically reviewing its corporate governance system in order to enhance it;
- (vi) setting up mechanisms to appraise the performance of the Board and its committees, such as decision-making bodies, the Board's chairperson and members, taken individually, and the Corporate Governance Secretariat;
- (vii) periodically assessing the scope and necessity of the committees, in order to ensure that they all have an effective role to play, deciding on new committees to be set up, in addition to those stipulated in the bylaws, and working groups to advise them, determining their composition and respective attributions, appointing their members, their budget when necessary, and term of office; and
- (viii) approving the powers of the Company's officers and attorneys.

The Company's policy of engaging non-audit services from the independent auditor was approved at the Board of Directors Meeting held on November 09, 2020 and publicly disclosed on November 18, 2020, filed at the Company's headquarters and available on its Investor Relations website (<https://ri.totvs.com/en/esg/bylaws-policies-and-charters/>), which governs its engagement, with due regard for the provisions of its bylaws and current legislation.

### **Fiscal Council**

As provided for in the Company's Bylaws, the Fiscal Council will operate on a non-permanent body, with the powers and duties conferred on it by law, and will only be installed by resolution of the General Meeting, or at the request of the shareholders, in the cases provided for by law.

### **Audit Committee**

As provided for in the Company's Bylaws, the Audit Committee, created by resolution approved at the Extraordinary General Meeting held on April 5, 2018, has the following responsibilities, among other ones as set forth in the Internal Regulations and the corresponding applicable standards - which must report and recommend to the Board of Directors:

- (i) stating their opinion on engaging the services of independent auditors and their termination;
- (ii) appraising quarterly reports, interim financial statements and financial statements;
- (iii) monitoring the activities of the Company's internal auditing and internal control area;
- (iv) assessing and monitoring the Company's risk exposures;
- (v) assessing, monitoring, and recommending measures for management to correct or improve the Company's internal policies, including related-party transaction policy;



- (vi) assessing whether the Company has the means of receiving and processing information of any failure to comply with applicable legal and regulatory provisions, as well as internal regulations and codes, including specific procedures to protect persons providing such information (whistleblowers) and their confidentiality; and
- (vii) stating their opinion on proposals from management bodies to be submitted to General Meetings involving alteration of capital stock, debenture or warrant issues, investment plans and/or capex budgets, dividend payouts, transformations, mergers, consolidations or spin-offs, tax matters and the market's structured financial transactions.

As provided for in the bylaws, the Audit Committee shall consist of at least three (3) members, a majority of whom must be directors, all of them independent and at least one (1) must have recognized corporate accounting experience. The Audit Committee's coordinator shall attend the Company's annual shareholders' meeting and be available to provide explanations and information for shareholders. The Audit Committee is composed by the persons shown at <https://ri.totvs.com/en/esg/management-committees/audit-committee/>

The Company has its own internal regulations for its board of directors and advisory committees approved at the Board of Directors' Meeting held on March 11, 2019 and filed at the Company's headquarters are available on the Company's Investor Relations website (<https://ri.totvs.com/en/esg/bylaws-policies-and-charters/>), which governs the Audit Committee's work, structure, organization, powers and duties subject to the provisions of the bylaws and current legislation.

The Audit Committee is responsible for recommending the approval of the Company's Internal Audit Regulation, approved at the Board of Directors' Meeting held on May 4, 2018, dated and publicly disclosed on May 15, 2018, filed at the Company's headquarters and available on its Investor Relations website ([www.ri.totvs.com/ptb/statutos-politicas-e-regimentos](http://www.ri.totvs.com/ptb/statutos-politicas-e-regimentos)). As per these regulations, the chief audit executive is responsible for effective management of internal auditing in accordance with the regulations, adherence to the profession's code of ethics, standards, annual planning and any other studies developed by the area, managing the area's budget and internal resources. In addition, the chief audit executive shall answer to the Audit Committee, reporting directly to the Board of Directors and administratively to the Company's CFO. The audit committee will also approve all decisions related to the chief audit executive's appointment, dismissal and performance as well as their approval and annual compensation adjustment. Annually, the Company's chief audit executive shall submit an Internal Audit plan to the Audit Committee for its analysis and approval. The chief audit executive shall develop and maintain a quality assurance and enhancement program covering all aspects of internal audit activity. The quality assurance program consists of internal and external evaluation. Processes and tools used for internal evaluations may include supervision and review of audit studies, checklists, customers' opinions, selective peer reviews, timekeeping systems, and other metrics.

### **Personnel and Compensation Committee**

As provided for in the bylaws, the Personnel and Compensation Committee shall carry out advisory duties and assist the Board of Directors set the terms of compensation and other benefits and payments to be received by the Company's directors and officers for whatever reason. The Personnel and Compensation Committee, among other duties provided for in the Internal Regulation, is responsible for:

- (i) submit to the Board of Directors a proposal for the distribution of annual overall compensation between directors and officers based on IT industry practices, monitor compensation payments, and inform the Board of Directors if the latter is not in keeping with IT industry practices;
- (ii) state its opinion on stock options or subscriptions granted to the Company's managers and employees; and



- (iii) state its opinion on the company's profit-sharing arrangements for directors, officers and employees;
- (iv) following up the preparation and implementation of a succession plan for the Company's executive officers with the purpose of ensuring that the management can count on professionals to hire or promote, whose professional experience and skills contribute to good performance and the preservation of the Company's value, keeping such plan always up to date for periodic monitoring by the Board, and the succession plan of the Chief Executive Officer will be followed up by the Board Chairperson; and
- (v) following up the annual assessment process of the Company's executive officers based on the verification of the achievement of their performance, financial and non-financial goals (including environmental, social, and governance aspects), in line with the Company's ethical values and principles.

As set forth in the Bylaws, the People and Compensation Committee must be composed of at least 3 (three) members, all Directors, and at least 2 (two) of them must be independent members. The Composition of the People and Compensation Committee is available at <https://ri.totvs.com/en/corporate-governance/personnel-and-compensation-committee/>.

The Company has its own internal regulations for its board of directors and advisory committees approved at the Board of Directors' Meeting held on March 11, 2019 and filed at the Company's headquarters are available on the Company's Investor Relations website (<https://ri.totvs.com/en/corporate-governance/by-laws-policies-and-charters/>), which governs the Personnel and Compensation Committee's work, structure, organization, powers and duties subject to the provisions of the bylaws and current legislation.

### **Strategy Committee**

As provided for in the Internal Regulations approved at the Board of Directors' Meeting held on March 11, 2019, the Strategy Committee is responsible for:

- (i) analyze and discuss matters in order to formulate the Future Vision/Strategic Planning and evaluate the Company's real ability to deliver the latter;
- (ii) evaluate the Executive Board's proposals for execution of Future Vision/Strategic Planning;
- (iii) evaluate the Executive Board's proposals concerning M&A deals to execute the Future Vision/Strategic Planning;
- (iv) state its opinion of the Executive Board's proposals and address them to the Board;
- (v) monitor the evolution of Executive Board proposals by the Board of Directors and suggest course corrections if necessary;
- (vi) address the status of Executive Board proposals for the Board of Directors; and
- (vii) proceed to self-assess its activities and detect opportunities to improve its modus operandi.

The Strategy Committee's composition is available at <https://ri.totvs.com/en/corporate-governance/strategy-committee/>.

### **Governance and Nomination Committee**

As provided for in the Company's Bylaws, among other duties provided for in the Internal Regulations, the Governance and Nomination Committee is responsible for:

- (i) recommend and monitor good corporate governance practices, as well as the efficacy of their processes, proposing updates and upgrades when necessary;



- (ii) set up channels and processes for interaction between the Company's long-term shareholders and the Board of Directors, particularly in relation to strategy, governance, compensation, succession and composition of the Board of Directors;
- (iii) select and recommend to the Board of Directors persons who meet legal requirements and the Company's needs, and after hearing those concerned, may be nominated to slates to be approved by the Board of Directors - or individually - for submission to election by a General Meeting;
- (iv) select and recommend to the Board of Directors persons who meet legal requirements and the Company's needs, may be nominated to the Advisory Committees of the Board of Directors;
- (v) select and recommend to the Board of Directors persons to fill any vacant positions on the board;
- (vi) select and recommend to the Board of Directors persons to be on the Company's Fiscal Council, if instated;
- (vii) support the Chair of the Board of Directors to organize a formal process to periodically appraise the performance of the Board of Directors and its members, which should be carried out annually;
- (viii) ensure the existence, efficacy and implementation of an succession plan for executives and monitor its execution together with the Personnel and Compensation Committee;
- (ix) issue an opinion on disclosure of the Company's governance practices, including information provided in the Reference Form and Management's Proposals for General Meetings;
- (x) issue an opinion on the participation of persons related to the Company as members of other companies' Boards of Directors, Advisory Committees and Fiscal Councils, be they publicly listed or closely held; and
- (xi) support the Board of Directors in assessing candidates for board membership and their status as independent members.

As provided for in the Bylaws, the Governance and Nomination Committee will be composed of at least 3 (three) members, all of whom must be Directors, with at least 2 (two) Independent Directors. The Governance and Nominating Committee's composition is available at <https://ri.totvs.com/en/corporate-governance/governance-and-nomination-committee/>.

The Company has its own internal regulations for its board of directors and advisory committees approved at the Board of Directors' Meeting held on March 11, 2019 and filed at the Company's headquarters are available on the Company's Investor Relations website (<https://ri.totvs.com/en/corporate-governance/by-laws-policies-and-charters/>), which governs the Governance and Nomination Committee's work, structure, organization, powers and duties subject to the provisions of the bylaws and current legislation.

## **b. in relation to statutory board members, their individual duties and powers**

Pursuant to Article 19, subparagraph (ii) of the Company's Bylaws and as approved by the Board of Directors' Meeting held on April 26, 2019, the Directors shall have the following duties:

**CEO**  
 Execute and ensure execution of General Meeting resolutions; preferably represent the Company at Meetings or other corporate events at companies in which the Company has equity holdings as per paragraph 1 (iii) of article 26 of the Company's bylaws; propose, although not as their sole initiative, duties to be assigned each vice-president and director at the time of their respective election; report to the Board of Directors on all the organization's activities; determine long-term plans, strategies and policies. Manage the vice-presidents' activities;





call and chair board meetings; suggest the Executive Board replace of any member of management in the event of their absence or temporary impediment; suggest the Board of Directors replace any member of management in the event of a position being vacant; be responsible for the organization's growth strategy, people management and profitability; lead the organization in the execution of the strategy set for the Company.

Vice-President - Administrative and Financial Officer:

Define, plan and lead activities involving support for the Company's business comprising the Pooled Services Center; Supplies, Facilities, Planning and Controllershship, Legal, Risks, Compliance, Market Intelligence, Corporate PMO, Mergers and Acquisitions and Internal Controls; analyze accounting records of transactions in which the Company is a party; control financial commitments in relation to transactions' legal, administrative, budgetary, tax and contractual requirements; represent the Company on the Audit Committee; manage activities related to managing the Company's funds and assets and its financial investments.

Investor Relations Officer:

Define, plan and direct investor relations activities; undertake duties required for Investor Relations and develop disclosures for the securities market in accordance with Brazilian Securities Commission (CVM) rules; continue current improvements and submit new ones for relations and communications between the organization and investors, shareholders and financial professionals; plan communication for the Company's relations with local and/or international capital markets; monitor changes and trends in the investment industry and determine appropriate operating strategies; prepare financial reports to be sent to shareholders, the public, investors and financial professionals; conduct relations with banking and investment communities and establish relations with investors.

Vice President - Strategy and New Business Officer:

Responsible for Institutional Marketing, Business Models and Distributions, Partnerships and Customer Experience. Determine and ensure execution of digital strategy and performance model; suggest strategic alliances to develop business and operations, models and processes; define, plan and direct all marketing activities; develop policies, programs and budgets; be responsible for generating business opportunities and business strategy; suggest and monitor the development of the Company new business and/or products.

Advise the Strategy Committee on strategic IT decisions for Micro and Small Enterprises and Financial Services. Be responsible for TOTVS Micro and Small Business and Financial Services segments. Define, plan and direct strategies involving IT and segmentation to generate better software offerings and development; design and develop segmented solutions for external clients; suggest new systems and monitor the Company's systems; plan and direct support and technical/non-technical services for customers.

Vice President - Business Segments:

Advise the Strategy Committee on strategic decisions involving technology issues; be responsible for the Supply Chain, Healthcare, Professional Services and Retail and Distribution segments; define, plan and direct strategies involving IT and segmentation to generate better software supply and development; design and develop segmented solutions for external clients; suggest new systems and monitor them; plan and direct support and technical/non-technical services for customers.

Vice President - Platforms:

Advise the Strategy Committee on strategic decisions involving technology; promote integration across platforms and ensure development of technology; coordinate the activities of Platform Directors; answer for platforms under their responsibility with strategies to support software delivery and development improvements; suggest new Company systems and monitor them; plan, organize and direct the activities of the Company's production units; plan, organize and direct technical/non-technical customer support and services. Define, plan and direct the Company's operating strategy for research and development, software architecture and infrastructure, Cloud



Computing, Data Center and Security and improvement of technologies used by the Company to ensure competitiveness of new products and solutions aligned with market trends and complexities associated with business and technology.

Vice President - Customer Services and Relations:

Plan, define and coordinate systems sales and/or deployment services in relation to current customers' and future prospects' accounts; coordinate and supervise sales for business generation in the context of targets set by management. Plan, organize and direct activities that involve the Company's customer service and relationships; monitor and manage indicators tracking their services; participate in decisions on product pricing and new products; lead the sales force to reach volume sales targets for the organization's products, including long-term plans, goals and strategies.

As provided for in article 30 of the Bylaws, the Executive Board has all powers required to ensure the Company's regular operations and pursuit of its corporate purposes, however special they may be, including waiving rights, compromising and agreeing, subject to pertinent legal or statutory provisions. Members are responsible for managing and leading the Company's business, in particular:

- (i) Complying with the bylaws and Board of Directors and General Meeting resolutions and ensure others do so;
- (ii) Submitting annual Management's Reports and Executive Board accounts together with independent auditors' reports and proposals for the allocation of earnings for the previous period to be reviewed by the Board of Directors;
- (iii) Submitting annual and multi-annual budgets for the Company, its subsidiaries and affiliates, strategic plans, expansion projects and investment programs to be reviewed by the Board of Directors;
- (iv) Deciding on any matter that is not the sole responsibility of General Meetings or the Board of Directors; and
- (v) Making decisions on opening, closing or changing branches, agencies, warehouses, offices or any other establishments in Brazil.

As provided in the Bylaws, the Company will always be represented by 2 (two) members of the Board of Executive Officers, or else by 1 (one) member of the Board of Executive Officers and 1 (one) attorney, or 2 (two) attorneys, within the limits of their corresponding terms of office.

**c. date the fiscal council was installed, if it is not a standing body**

In accordance with Law 6404/76 ("Lei das S.A."), the Fiscal Council is a corporate body, independent from the Management. The main responsibilities of the Fiscal Council are to supervise the acts of the administrators and analyze the Company's financial statements, reporting their observations to the shareholders.

At TOTVS, the Fiscal Council is a non-permanent body and can be installed in any fiscal year, if required by shareholders representing at least 2% of common shares, pursuant to CVM Instruction No. 324/00.

At the Annual General Meeting held on April 20, 2021, the installation of the Fiscal Council was resolved, with three sitting members and three alternates for a 1 (one) year term, ending at the Annual General Meeting of 2022.

**d. mechanisms to appraise performance of the board of directors and each body or committee reporting to the board of directors**

As per the internal regulations for the Board of Directors and Advisory Committees approved at the Board of Directors Meeting held on March 11, 2019:



(a) The Board of Directors shall establish mechanisms to appraise the performance of the board and its committees such as decision-making bodies, its chairperson and directors taken individually, and the Corporate Governance Secretariat.

(b) The Board's chairman shall collaborate with the Corporate Governance Secretariat, and in accordance with Governance and Nomination Committee recommendations, shall lead a formally structured process to appraise the work of the Board and its committees as decision-making bodies, its chairperson, directors taken individually and the Corporate Governance Secretariat. The results of the Board's assessments will be disclosed to all directors.

(c) The Governance and Nominating Committee is responsible for supporting the Chairman of the Board of Directors in organizing the performance assessment of the Board of Directors and its Directors, which shall be carried out every year.

In 2017, having approved the abovementioned internal regulations, the Company introduced a formal process in order to annually assess the performance of the Board of Directors and its Committees as decision-making bodies, the board's chairperson, its members individually, and the Corporate Governance Secretariat.

The Development Trail for members of the Board of Directors and Advisory Committees is a program created aimed at raising the level of knowledge about the Company's business, besides providing updating and improvement in particularly relevant topics such as governance, technology, and innovation.

The assessment procedure carried out by the Company in 2020 was answered by the Directors and carried out by an application developed by the Company, the questions of which are connected to the following topics: self-assessment; strategic aspects; general dynamics of the Board and the corresponding meetings; performance of the Committees, the Corporate Governance Area and the Chairman of the Board; as well as assessment among the Directors and Committee members themselves. The results of such assessment were presented by the Governance and Nomination Committee during the Board of Directors meeting held on December 15, 2020.

The Board has defined action plans for points identified in this process, the implementation of which will be carried out by the corresponding Advisory Committees and reported to the Board, with the support of the Corporate Governance Department. In addition, the Chairman of the Board met individually with the Directors to provide them with feedback on the assessment.

The result of such assessment was considered an improvement of the Board as a collegiate throughout 2020, which shows the dedication of the directors in the search for constant innovation and based on our Company's strategic vision, with the main goal of, together with the Board of Directors, continue on the successful journey of TOTVS Group.



## **12.2 – Rules, policies and practices relating to shareholders' meetings**

### **a. advance notice required to call general meetings**

The Company's General Meetings will be called on giving legally required advance notice and submitting the documents required as per CVM Instruction 481/09. Additionally, any General Meetings discussing the delisting of a publicly-held company or its delisting from the Novo Mercado segment must be called with at least thirty (30) days advance notice.

The Company does not have special practices for notices calling general meetings. Article 124, Paragraph 1, II of Law No. 6.404/76 and subsequent amendments establishes that General Meetings shall be called with at least fifteen (15) calendar days' notice in advance for the first date and time called and eight (8) calendar days in advance for second date and time.

### **b. competences**

In addition to their legally stipulated duties, General Meetings shall:

- i) Elect and remove members of the Board of Directors;
- ii) Determine annual global compensation for members of the Board of Directors and the Executive Board as well as Fiscal Council members, if the latter has been installed;
- iii) Amend the bylaws;
- iv) Decide on dissolution, liquidation, merger, spin-off or consolidation of the Company or any company in the Company;
- v) Grant stock bonuses and decide any share grouping or splits;
- vi) Approve stock option or subscription plans for managers and employees, as well as managers and employees of other companies directly or indirectly controlled by the Company;
- vii) Based on proposals submitted by management, decide to allocate the period's net income and dividend payouts;
- viii) Elect a liquidator and a Fiscal Council to operate during the liquidation period;
- ix) Decide to leave B3's Novo Mercado segment;
- x) Waive a public offering for the acquisition of shares as a requirement for leaving the Novo Mercado;
- xi) Decide to cancel the company's registration with the Securities Commission (CVM), except as per Article 45 (ii) of the Company's bylaws; and
- xii) be submitted by the Board of Directors.

The resolution referred to in item (x) above shall be taken by a majority of votes of holders of the Company's outstanding shares attending the meeting, not counting blank votes. If established on the first call, the Meeting must be attended by shareholders representing at least 2/3 (two thirds) of the total outstanding shares; and, on second call, it can be established with any number of shareholders holding outstanding shares.

### **c. addresses (physical or electronic) at which general meeting documents will be available for shareholders to analyze**

The Company posts general meeting documents at the following locations:

#### Electronic address (URL)

- TOTVS S.A. Investor Relations' website ([ri.totvs.com.br](http://ri.totvs.com.br))
- CVM website ([www.cvm.gov.br](http://www.cvm.gov.br))



Physical address

Avenida Braz Leme, 1000 - Casa Verde – São Paulo - SP – Brazil

**d. conflicts of interest - detection and management**

The Company does not have special practices in relation to corporate law and/or CVM regulations.

**e. management's applications for proxies to exercise voting rights**

The Company does not have public applications for proxies. Shareholders must submit their powers of attorney with the grantor's signature at least forty-eight (48) hours in advance.

**f. formalities required for acceptance of proxies granted by shareholders, stating whether the issuer requires or waives recognition of signatures, notarization, consularization and sworn translation and whether the issuer accepts proxies granted by shareholders over electronic media**

Pursuant to the Company's articles, shareholders must submit documentation at least forty-eight (48) hours in advance, comprising, in addition to their identity documents and/or relevant corporate documents as proof of their legal representation, and when appropriate: (i) certification issued by the bookkeeping institution at most five (5) days prior to the date of the General Meeting; (ii) power of attorney with the grantor's signature notarized; and/or (iii) for shareholders participating in fungible custody of registered shares, a statement issued by the competent body showing the respective shareholding.

The Company does not accept powers of attorney granted by electronic means.

**g. formalities required for acceptance of remote voting bulletin, when sent directly to the Company, stating whether the issuer requires or waives authenticated signature, notarization and consularization**

Shareholders wishing to exercise remote voting rights by sending them directly to the Company, must send the following documents to this address: Investor Relations Officer, Avenida Braz Leme, 1000 - Casa Verde, São Paulo, São Paulo State, Brazil:

- (i) a hard copy of the ballot regarding the general meeting duly completed, initialed, and signed; and
- (ii) a copy of the following documents:

For individuals:

- identity document with photo of the shareholder;

For companies and organizations:

- most recent version of the Company's bylaws or restated Articles of incorporation, in addition to corporate documents able to prove the legal status of such shareholder; and
- identification document, with photo, of their legal representative.

For investment funds:

- the most recent restated regulation of such fund;
- bylaws or Articles of association of its administrator or manager, as the case may be, pursuant to the corresponding fund's voting policy and corporate documents that prove the powers of representation; and
- identification document, with photo, of their legal representative.



For the documents in items "i" and "ii" above, the Company may require, depending on the case, authentication, notarization, consularization (except for any alternative procedures that may be accepted under international agreements or conventions).

Voting ballots enabling to cast distance votes, accompanied of the corresponding documentation, will only be considered if received by the Company in full order, up to seven days before the date of the Meetings. Under the terms of Article 21-U of CVM Instruction 481/09, the Company will inform every shareholder if the documents received are sufficient for the vote to be considered valid, or else it will inform the procedures and deadlines for eventual rectification or resubmission, if necessary.

**h. whether the company provides an electronic system for receiving remote voting bulletins or for remote attendance or participation**

The Company does not currently have an electronic system for receiving remote voting bulletins or for remote attendance or participation.

**i. instructions for a shareholder or group of shareholders to include motions for resolutions, slates or candidates running for membership of the board of directors and the fiscal council on the remote voting bulletin**

If a shareholder wishes to include proposals for deliberation, slates or candidates for membership of the board of directors or fiscal council on the remote voting bulletin, these proposals shall be submitted by mail to this address: Avenida Braz Leme, 1000 - Casa Verde, São Paulo, State of São Paulo, Brazil, together with the relevant documents for the proposal, or sent to this electronic address: [ri@totvs.com.br](mailto:ri@totvs.com.br), by the final dates determined under current regulations.

**j. whether the Company provides forums and websites to receive and share shareholder comments on agendas for meetings**

The Company does not provide forums or websites to receive and share shareholder comments on agendas for meetings.

**k. other information necessary for remote participation or attendance and for exercising remote voting rights**

The Company does not broadcast live video and/or audio of meetings. Holders of Company shares deposited with a central depository may transmit voting instructions for filling out remote voting bulletins through their respective custody agents if the latter provide these services.

Voting instructions may also be collected and transmitted by Banco Itaú, TOTVS's share registration agent, through an electronic platform. To do so, shareholders must register on the Itaú Securities Services Digital Meeting website Itaú Securities Services Assembleia Digital (<https://www.itaubr.com.br/securitiesservices/assembleiadigital/>).





## **12.3 – Rules policies and practices relating to the board of directors**

### **a. number of meetings held in the most recent fiscal year**

As stipulated in the Company's articles, the Board of Directors holds ordinary meetings at least six (6) times a year and, extraordinary meetings whenever called by the chair or the majority of its members. Board meetings may be held by conference call, video conference, or any other means of communication enabling member identification and simultaneous communication with all other persons attending the meeting. In the last fiscal year, twenty five (25) meetings were held, of which nine (9) were ordinary meetings and sixteen (16) extraordinary.

### **b. if any, shareholders' agreement terms that restrict or bind board members' exercise of voting rights**

There is no shareholders agreement.

### **c. rules for identifying and administering conflicts of interest**

As stipulated in the articles, a member of the Board of Directors cannot have access to information or attend meetings of the Board of Directors related to matters in which he or she has or represents an interest conflicting with the Company's interests.

Pursuant to the Board of Directors and Advisory Committees' internal regulations, in the event of a conflict of interest or particular interest of a Board member being found in relation to a particular matter to be decided, the Board member in question must inform the other members in good time.

If any Board member who may have a potential particular benefit or conflict of interest with a decision to be made does not state his or her benefit or conflict of interest, any other Board member who is aware of the situation may do so. A member failing to voluntarily report such a situation will be considered in breach of the rules, if said particular benefits or conflict of interest are confirmed.

As soon as a conflict of interest or particular benefit has been identified, the person involved must withdraw from discussions and deliberations and should temporarily withdraw from the meeting until the end of discussion on the matter. Before withdrawing, they may provide their information, details or reasons and settle any doubts on the part of the Board.

Their statement of a conflict of interest situation or particular benefit shall be recorded in the Board of Directors meeting minutes.

The board's powers in relation to conflict of interest issues do not affect the General Meetings' legally stipulated powers.

### **d. whether there is a policy for nominations and filling positions on the board of directors.**

As an integral part of the process of nominations and filling positions on the Board of Directors, the Company has its Governance and Nomination Committee, an advisory body for the Board of Directors, whose duties are set forth in Article 25 of the bylaws and Article 45 of the Board of Directors' internal regulations.

On November 12, 2018, the Board of Directors approved its Policy for Nominating Members of the Board of Directors, its Advisory Committees and the Executive Board, published on November 22, 2018, which sets forth





the process and minimum requirements to nominate members for the Company's Board, Committees and Statutory Board.

As stipulated in the Policy, the Board's composition must reflect a range of academic backgrounds, professional experience, behavior, cultural aspects, age and gender, as well as complementary competencies, thus enabling the Company to benefit from a plurality of arguments in pursuit of higher quality, secure business strategies and decision making processes.

Nomination for Board membership must be aligned with the Company's best interests and fulfill the following criteria:

- (i) the positions of chair of the Board of Directors and Chief Executive Officer (or principal executive) must not be held by the same person;
- (ii) Company executives (officers and managers, except the CEO) must not be members of the Board;
- (iii) have an unblemished reputation; anyone who (a) holds positions in companies that may be considered competitors of the Company; or (b) has or represents an interest conflicting with the Company's interests cannot be elected, except at the Shareholders' Meeting;
- (iv) highly qualified professionals with outstanding professional, technical and academic experience, compatible with the position for which they are being nominated, and knowledgeable in relation to best corporate governance practices and experience of a wide range of matters such as finance, sustainability, information technology and data security;
- (v) alignment with and commitment to the Company's principles, values and culture, and to its Code of Ethics and Conduct (aka CODEC);
- (vi) strategic business vision and understanding; and
- (vii) sufficient time available to properly fulfill the position's duties and



#### **12.4 - Description of arbitration clause for dispute resolution**

As set forth in its bylaws, the Company, its shareholders, management, and full and alternate members of its fiscal council, if there is one in place, shall be subject to arbitration under the Market Arbitration Chamber's rules to settle any dispute that may arise between them, related to or arising from their status as issuer, shareholders, directors, and members of the fiscal council, in particular arising from Law No. 6.385/76, Law 6.404/76, their bylaws, rules issued by Brazil's National Monetary Council, Central Bank of Brazil and Securities Commission, as well as other rules applicable to the capital market in general, in addition to the Novo Mercado rules and other rules of the Brazilian stock exchange (B3 - Brasil, Bolsa, Balcão) and the Novo Mercado Listing Agreement.

Without prejudice to the validity of the arbitration clause, parties applying to the Judiciary for urgent measures, when applicable, will obey the Market Arbitration Chamber's Arbitration Rules.



## 12.5/6 – Composition and professional experience of management and fiscal council

Name	Date of Birth	Management Body	Date of Election	Term of Office	Number of Consecutive Terms of Office
Individual Taxpayers' Register	Profession	Elective Position Held	Date on which took office	Elected by the controlling shareholder	% of participation in meetings
Other positions and duties held at the issuer		Description of other position/function			
Dennis Herszkowicz	12/08/1974	Is only part of the Executive Board	02/08/2021	2 years	2
165.783.068-38	Advertising Executive	10 -CEO/ Superintendent	04/20/2021	No	0.00%
Member of the Strategy Committee					
Gilsomar Maia Sebastião	12/06/1975	Is only part of the Executive Board	02/08/2021	2 years	6
174.189.288-07	Bachelor's Degree in Accounting	12 – Investor Relations Officer	04/20/2021	No	0.00%
Administrative and Financial Vice President and Investor Relations Officer					
Gustavo Dutra Bastos	03/19/1976	Is only part of the Executive Board	02/08/2021	2 years	6
026.942.416-46	Business Administrator	11 - Executive Vice President Officer/Superintendent	04/20/2021	No	0.00%
Vice President of Platforms					
Marcelo Eduardo Sant'anna Cosentino	01/06/1983	Is only part of the Executive Board	02/08/2021	2 years	5
306.743.308-46	Business Administrator	11 – Executive Vice- President - Superintendent	04/20/2021	No	0.00%
Vice President for the Segments					
Juliano Tubino	08/05/1974	Is only part of the Executive Board	02/08/2021	2 years	1
254.357.978-88	Bachelor's Degree in Computing	11 - Executive Vice President Officer/Superintendent	04/20/2021	No	0.00%
Vice President of Strategy and New Business					



Alexandre Haddad Apendino	12/08/1979	Is only part of the Executive Board	02/08/2021	2 years	2
292.459.418-92	Business Administrator	19 - Other Executive Officers Executive Vice President Officer	04/20/2021	No	0.00%
Izabel Cristina Branco	06/24/1976	Is only part of the Executive Board	02/08/2021	2 years	1
182.468.118-60	Administrator	11 - Executive Vice President Officer/Superintendent	04/20/2021	No	0.00%



Name	Date of Birth	Management Body	Date of Election	Term of Office	Number of Consecutive Terms of Office
Individual Taxpayers' Register	Profession	Elective Position Held	Date on which took office	Elected by the controlling shareholder	% of participation in meetings
Other positions and duties held at the issuer		Description of other position/function			
Luiz Carlos Nannini	02/01/1960	Supervisory Board	04/20/2021	A.G.M 2022	1
038.563.538-95	Controller	Sitting member	04/20/2021	No	0.00%
Luiz Gotardo Furlan	10/07/1984	Supervisory Board	04/20/2021	A.G.M 2022	1
329.669.418-80	Business Administrator	Sitting member	04/20/2021	No	0.00%
Sergio Citeroni	30/05/1958	Supervisory Board	04/20/2021	A.G.M 2022	1
042.300.688-67	Accountant	Alternate Member	04/20/2021	No	0.00%
Monica Hojaij Carvalho Molina	05/07/1969	Supervisory Board	04/20/2021	A.G.M 2022	1
137.295.488-08	Business Administrator	Alternate Member	04/20/2021	No	0.00%
Tiago Curi Isaac	16/06/1982	Supervisory Board	04/20/2021	A.G.M 2022	1
303.612.048-33	Business Administrator	Alternate Member	04/20/2021	No	0.00%1
Fernando Heitor Batista Vaccari	23/11/1979	Supervisory Board	04/20/2021	A.G.M 2022	1
287.308.218-60	Business Administrator	Sitting member	04/20/2021	No	0.00%



Name	Date of Birth	Management Body	Date of Election	Term of Office	Number of Consecutive Terms of Office
Individual Taxpayers' Register	Profession	Elective Position Held	Date on which took office	Elected by the controlling shareholder	% of participation in meetings
<b>Other positions and duties held at the issuer</b>		<b>Description of other position/function</b>			
Guilherme Stocco Filho	07/01/1974	Is only part of the Board of Directors	04/27/2020	A.G.M 2022	2
176.649.438-25	Business Administrator	27 - Independent Board of Directors (Permanent Member)	04/30/2020	No	95.00%
Member of the Strategy Committee					
Gilberto Mifano	11/11/1949	Is only part of the Board of Directors	04/27/2020	A.G.M 2022	3
566.164.738-72	Business Administrator	27 - Independent Board of Directors (Permanent Member)	04/30/2020	No	100.00%
Coordinator of the Audit Committee and Member of the Governance and Nomination Committee					
Maria Letícia de Freitas Costa	03/27/1960	Is only part of the Board of Directors	04/27/2020	A.G.M 2022	3
050.932.788-58	Production Engineer	25 - Vice Chairman of the Independent Board of Directors	04/30/2020	No	95.00%
Coordinator of the Strategy Committee					
Mauro Gentile Rodrigues da Cunha.	11/06/1971	Is only part of the Board of Directors	04/27/2020	A.G.M 2022	3
004.275.077-66	Consultant	27 - Independent Board of Directors (Permanent Member)	04/30/2020	No	95.00%
Member of the Audit Committee and Member of the Governance and Nomination Committee					



Sylvia de Souza Leão Wanderley	03/09/1962	Is only part of the Board of Directors	04/27/2020	A.G.M 2022	2
731.199.977-49	Business Administrator	27 - Independent Board of Directors (Permanent Member)	04/30/2020	No	100.00%
Laércio José de Lucena Cosentino	08/11/1960	Is only part of the Board of Directors	04/27/2020	A.G.M 2022	2
032.737.678-39	Electrical Engineer	20 - Chairman of the Board of Directors	04/30/2020	No	100.00%
Coordinator of the Governance and Nomination Committee and Coordinator of the Strategy Committee					
Eduardo Mazzilli de Vassimon	10/07/1958	Is only part of the Board of Directors	04/27/2020	A.G.M 2022	2
033.540.748-09	Economist	22 - Board of Directors (Permanent Member)	04/30/2020	No	100.00%

### Professional experience/Statement of no conviction/Independence criteria

#### **Dennis Herszkowicz - 165.783.068-38**

Between 2003 and 2018, Mr. Dennis Herszkowicz was a partner and statutory officer at Linx S.A., holding different positions as vice-president, in addition to being a member of the Board of Directors from 2011 to 2014. Between 2012 and 2017 he was Chief Financial and Investor Relations Officer, being responsible for the IPO held in 2013 and follow-on in 2016, as well as overseeing 20 acquisitions during the period. Between 2017 and 2018, he was Executive Vice President for New Markets, the Fintech-focused Business Unit. Prior to Linx, he was Managing Director of DeRemate.com in Brazil, and founder and CEO of Gibraltar.com, as well as having spent time at Unilever and Credicard S.A. He has a degree in Advertising and Marketing from ESPM.

In the last 5 years the aforementioned administrator has not been subject to (i) any criminal conviction; (ii) or any conviction or penalty imposed in an administrative proceeding with the Brazilian Securities Commission; (iii) or to any final and unappealable conviction, at the judicial or administrative level, which has suspended or disqualified him from the practice of any professional or commercial activity. In addition, the aforesaid administrator is not considered to be a politically exposed person.

#### **Gilsomar Maia Sebastião - 174.189.288-07**

For the past 5 years, Mr. Sebastião has served as Vice President, Planning Officer, Corporate Finance Officer, Investor Relations Officer and Officer for Mergers and Acquisitions at TOTVS. Between 2006 and 2007 he was TOTVS' Processes and Risk Manager. He worked at Ernst & Young Auditores Independentes as an audit manager, where he worked on external audit projects from 1996 to 2004. He received a degree in Accounting from Universidade Mackenzie in 2000 and has an MBA in Capital Markets from FIPECAFI.





In the last 5 years the aforementioned administrator has not been subject to (i) any criminal conviction; (ii) or any conviction or penalty imposed in an administrative proceeding with the Brazilian Securities Commission; (iii) or to any final and unappealable conviction, at the judicial or administrative level, which has suspended or disqualified him from the practice of any professional or commercial activity. In addition, the aforesaid administrator is not considered to be a politically exposed person.

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**Gustavo Dutra Bastos - 026.942.416-46**

Mr. Bastos is currently the Company's Vice President for Platforms. He has spent more than 25 years working in IT companies operating in the software and associated services market. Mr. Bastos has been with the company for almost 20 years and has been responsible for numerous areas including pre-sales, supply, software projects and services, the latter up until 2012. In 2013, he played an important role in structuring the Technical Service and Quality areas, assuming responsibility for the company's Product areas. He has a technical background in Industrial Computing from Centro Federal de Educação Tecnológica de Minas Gerais (CEFET/MG) and received a degree in Business Administration from UFMG - Universidade Federal de Minas Gerais, in 2000.

In the last 5 years the aforementioned administrator has not been subject to (i) any criminal conviction; (ii) or any conviction or penalty imposed in an administrative proceeding with the Brazilian Securities Commission; (iii) or to any final and unappealable conviction, at the judicial or administrative level, which has suspended or disqualified him from the practice of any professional or commercial activity. In addition, the aforesaid administrator is not considered to be a politically exposed person.

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**Marcelo Eduardo Sant'anna Cosentino - 306.743.308-46**

Mr. Cosentino joined the Company in 2001 and has worked in a number of areas, including information technology, product development, partnerships, new business, corporate planning and product development. In the last three years, he has been in charge of the Company's international expansion, having taken part in the main M&A processes carried out over the years. He is currently Business Vice President for the Segments. He received a degree in business administration from Pontifícia Universidade Católica (PUC-SP) in 2005 and has an MBA from the Kellogg School of Management (USA).

In the last 5 years the aforementioned administrator has not been subject to (i) any criminal conviction; (ii) or any conviction or penalty imposed in an administrative proceeding with the Brazilian Securities Commission; (iii) or to any final and unappealable conviction, at the judicial or administrative level, which has suspended or disqualified him from the practice of any professional or commercial activity. In addition, the aforesaid administrator is not considered to be a politically exposed person.

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**Juliano Tubino - 254.357.978-88**

Mr. Tubino serves as Vice President for Business and Digital Strategy at TOTVS. He was previously an Executive Officer at Accenture Digital, Netshoes, Microsoft and Amazon, accumulating experience in Marketing, Sales, Innovation and Digital Marketing. Mr. Tubino has a degree in Computer Science from Universidade Presbiteriana Mackenzie and a degree in Administration and Marketing from Kellogg Executive Education (USA).



In the last 5 years the aforementioned administrator has not been subject to (i) any criminal conviction; (ii) or any conviction or penalty imposed in an administrative proceeding with the Brazilian Securities Commission; (iii) or to any final and unappealable conviction, at the judicial or administrative level, which has suspended or disqualified him from the practice of any professional or commercial activity. In addition, the aforesaid administrator is not considered to be a politically exposed person.

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**Alexandre Haddad Apendino - 292.459.418-92**

For the past 5 years, Mr. Apendino has held the position of Executive Vice President in charge of Customer Service and Relationship at TOTVS, having joined the Company in 2013 as a sales and channel manager, before taking over the Cloud and Analytics (GoodData) business areas. Prior to this, he worked at SAP and Oracle, and has more than 18 years' experience in the Sales and Channel Management field, always with a focus on small and medium sized companies (SMB). Mr. Apendino received a degree in Business Administration from Universidade Presbiteriana Mackenzie in 2001, and has an Executive MBA and a Corporate MBA from INSPER and a specialization course in Effective Sales Management from Wharton University (USA).

In the last 5 years the aforementioned administrator has not been subject to (i) any criminal conviction; (ii) or any conviction or penalty imposed in an administrative proceeding with the Brazilian Securities Commission; (iii) or to any final and unappealable conviction, at the judicial or administrative level, which has suspended or disqualified him from the practice of any professional or commercial activity. In addition, the aforesaid administrator is not considered to be a politically exposed person.

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**Izabel Cristina Branco - 182.468.118-60**

Ms. Izabel Cristina Branco holds the position of Vice President for Human Relations at TOTVS. With more than 20 years' experience in business and human resources management, customer segmentation, marketing and strategic communication, Ms. Branco worked at Via Varejo as Executive Officer for Human Resources and Management for the past 4 years. Between 2014 and 2015 she was Superintendent for Customer Value at SulAmérica Seguros. Prior to this she worked at companies such as Banco Santander, Banco Real and Banco Itaú. Ms. Branco holds a degree in Translation and Interpreting from Universidade Ibero Americana and a graduate degree in Business Administration from FGV and in Marketing from ESPM.

In the last 5 years the aforementioned administrator has not been subject to (i) any criminal conviction; (ii) or any conviction or penalty imposed in an administrative proceeding with the Brazilian Securities Commission; (iii) or to any final and unappealable conviction, at the judicial or administrative level, which has suspended or disqualified her from the practice of any professional or commercial activity. In addition, the aforesaid administrator is not considered to be a politically exposed person.

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**Eduardo Mazzilli de Vassimon - 033.540.748-09**

Mr. Vassimon holds a degree of Bachelor in Economics from the School of Economics of the University of São Paulo - USP, and also a degree in Business Administration from Fundação Getúlio Vargas University, both completed in 1980, in addition to two postgraduate degrees from EAESP/FGV University (Brazil) and École des Hautes Études Commerciales - France, both in 1982. Since April 2019, he has been Chairman of the Board of Directors of Votorantim S.A and since 2015 he has been a member of the Board of Directors of B3 - Brasil, Bolsa, Balcão. He was CEO of Itaú BBA bank and General Director of the Wholesale Area of Itaú-Unibanco bank from 2016 to 2018; Executive Vice President, CFO and CRO of Itaú Unibanco S.A. from 2015 to 2016; Executive Vice President



and CRO of Itaú Unibanco S.A. from 2013 to 2015; Member of the Board of Directors - Banco Itaú BBA S.A. from 2003 to 2015; Member of Santos Futebol Clube soccer team from 2009 to 2013; Managing partner of Fundo Pitanga ("venture capital") from 2011 to 2013; and Vice-President of Fundação Bienal de São Paulo from 2009 to 2013. Key contributions for the Company: Business Management; Securities exchange market; and Corporate Governance.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Guilherme Stocco Filho - 176.649.438-25**

Mr. Stocco has extensive background in creating digital businesses and business transformation with over 20 years of experience. Responsible for successful projects at Banco Digital (Banco Original), Venture Capital (Domo Invest), Mobile and E-commerce (Buscapé), Internet Platforms (Microsoft), and Advertising (TeRespondo). He is currently a member of Advisory Committees of the Board of Directors of TOTVS, Banco Original and Grupo Soma. Keynote speaker on Trends and Innovation, with more than 120 lectures in Brazil, LATAM, Canada, United States, Denmark, and the United Kingdom. Bachelor in Business Administration from Fundação Armando Alvares Penteado - FAAP University in 1997, with an MBA in Management from Insper in 2010; postgraduate in Marketing Management from FAAP in 2007 and Marketing certificate from Berkeley, University of California, USA, in 1996. Key contributions for the Company: Digital Business Management; Innovative Vision in Technology; and Entrepreneurship.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Gilberto Mifano - 566.164.738-72**

Mr. Mifano holds a degree in Business Administration from the São Paulo School of Business Administration of the Getúlio Vargas Foundation University (1972). Currently, in addition to being an Independent Director and a member of the Audit and Governance Committees of TOTVS S.A., Mr. Mifano is an Independent Director and coordinator of the Audit Committee of Cielo S.A., Independent Member and member of the Audit and Risk Management and Finance Committee of Natura S.A., Independent Member of Construtora Pacaembu S.A., Advisory Member of Pragma Gestão de Patrimônio Ltda., Decision-making Director of RAPS – "Rede de Ação Política pela Sustentabilidade" (Political Action Network for Sustainability), Fiscal Council Director of the Arapyaú Institute of Education and Sustainable Development, and Fiscal Council Director of CIEB – Innovation Center for Brazilian Education. Previously, between 2014 and 2019, he was an Independent Board Member of Ambar S/A. until 2017, Independent Director of Baterias Moura S/A until 2014; and Member of the Fiscal Council of Instituto Natura until 2017, and Independent Member of the Sustainability and Governance Committee of Banco Santander Brasil S/A until 2016. Key Contributions for the Company: Corporate Governance; Finance; and Business Management.



In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Maria Letícia de Freitas Costa - 050.932.788-58**

Ms. Costa has a degree in Production Engineering from the Polytechnic School of the University of São Paulo and an MBA from the Samuel Curtis Johnson School of Management at Cornell University, USA. She is currently a partner at Prada Assessoria Empresarial and Board Member of Localiza S.A., Mapfre, and Embraer. She is also a Member of the Audit Committee and Coordinator of the Strategy Committee of the corporation Votorantim Cimentos. From 2010 to 2015, Ms. Costa worked at Insper. From 2001 to 2010, Ms. Costa served as CEO of Booz Allen Hamilton operations (today known as Strategy&). She has also served as a member of the Board of Directors of Sadia, Gafisa, Technip, RBS Mídia and Marcopolo, in addition to being a member of the Board Committee at the corporations Votorantim Industrial and Bematech. Key Contributions for the Company: Strategic Planning; Management; and Business Vision.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Mauro Gentile Rodrigues da Cunha. - 004.275.077-66**

Mr. Rodrigues da Cunha has a degree in Economics from the Pontifical Catholic University of Rio de Janeiro and an MBA from the University of Chicago, USA; has over 25 years of experience in the securities and exchange markets and corporate governance. He served from 2012 to 2019 as CEO of AMEC – Association of Securities and Exchange Investors. Prior to that, he worked at several asset management corporations and financial institutions, including Mauá Investimentos, Franklin Templeton (Brazil), Bradesco Templeton, Investidor Profissional, among other ones. He was also Chairman of the Board of Directors of IBGC – Brazilian Institute of Corporate Governance. Today he is also a member of the Board of Directors and Coordinator of the Audit Committee of Eletrobrás – Centrais Elétricas Brasileiras, member of the Board of Directors and Coordinator of the People and Compensation Committee of brMalls Participações, and member of the Board of Directors of Klabin. Key Contributions for the Company: Securities and Exchange Market; Corporate Governance; and Finance.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.



**Sylvia de Souza Leão Wanderley - 731.199.977-49**

Ms. Wanderley worked for more than 30 years in the retail market, having worked at Walmart Brasil (1995-2000), Grupo Pão de Açúcar (2000 to 2012), and Carrefour (2015 to 2018), where she held positions as Vice President in the areas of Marketing, Sales, Operations, and Human Resources. She also served as Vice President of Marketing and Innovation at BRF from 2013 to 2014. She is currently a member of the Board of Directors of Sodimac Brasil, a Falabella group Company, Mendelics and of the Baumgart Group. She leads the People Committee and is a member of the Strategy Committee at Raiadrogasil. Graduated in Social Communication, with an Executive MBA in Administration at COPPEAD- UFRJ University, and specialization courses at MIT - Massachusetts Institute of Technology (USA), Sloan School of Management, and Fundação Dom Cabral. Key Contributions for the Company: Strategic Planning; People management; and Marketing.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Laércio José de Lucena Cosentino - 032.737.678-39**

Mr. Cosentino is the founder and chairman of the Board of Directors of TOTVS, the largest technology company in Brazil. Graduated in Electrotechnical Engineering from the Polytechnic School of the University of São Paulo (USP), his career and history were consolidated in the IT sector especially by founding the corporation TOTVS in 1983. The Company is an absolute leader in Brazil, being present in 41 countries. Laércio Cosentino is a member of the Decision-making Board of the Brazilian Association of Information and Communication Technology Companies (Brasscom), a member of the Consulting Board of Cristália, chairman of the Board of Mendelics, Board Member of Brain4care, among other activities. Key Contributions for the Company: Entrepreneurship; Human Capital Strategy in Technology; Innovative Vision in Technology; and a renowned businessman in the technology sector and in Brazil.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Luiz Carlos Nannini - 038.563.538-95**

Mr. Luiz Carlos Nannini has a Bachelor of Science degree in Accounting, having taken several specialization courses in Brazil and abroad, including a leadership course at Harvard. He is a member of the Audit Committee of a number of companies, such as Santander Bank and its subsidiaries and Eletrobrás Group. With over 30 years of experience in conducting independent audit and due diligence, he served, until december of 2019, as chairman of the Supervisory Boards (aka Fiscal Councils) of Comgás, Cosan S/A, and Cosan Logística. Previously, for 32 years he served as a partner at Ernst & Young, working on independent audit projects in large companies of the financial, industrial, service, and retail segments, as well as banks and investment funds.



In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Luiz Gotardo Furlan - 329.669.418-80**

Mr. Luiz Gotardo Furlan has a degree in Business Administration from Fundação Getúlio Vargas (FGV), in addition to MBAs from the London Business School and Columbia University. He has also taken courses for financial markets and systems, such as CEA and Power BI, with the corresponding certificates. He is currently the CFO of Trinus Co. From 2017 to 2021, he has served as Vice President of the Board of Directors of Necton, where he also acted as partner since 2009, focusing on the areas of wealth management, home broker, marketing, and fund management. Previously, he had also worked at Bain & Company and Maersk Line.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Sergio Citeroni - 042.300.688-67**

Mr. Sergio Citeroni has a bachelor's degree in Business Administration and Accounting Sciences, both from Universidade Presbiteriana Mackenzie, with a Master's degree in Accounting and Actuarial Sciences from the Pontifical Catholic University (PUC) of Sao Paulo. Academically, he also participated in the Leadership Development Program from Harvard University. Mr. Citeroni is currently a member of audit committees and supervisory boards of several companies, such as CVC, Cia do Governo do Estado de Sao Paulo (CPSEC), Banco da Amazonia (BASA) and Cia Brasileira de Alumínio (CBA). He also teaches at FGV and FIPECAFI, on financial management, controllership, and auditing courses. From 1995 to 2018, Mr. Sergio Citeroni acted as audit partner at Ernst & Young Auditores Independentes S/S, where he collaborated with management and technical responsibilities, taking part in several projects involving relevant domestic and international companies, along with executive committees.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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**Monica Hojaij Carvalho Molina - 137.295.488-08**





Ms. Monica Hojaij Carvalho has a degree in Business Administration from FEA/USP, in addition to a postgraduate degree in Marketing from ESPM. She is also a co-author and professor at Insper. Having two certificates from IBGC, she has been a member of the Omni Group's Advisory Board since May 2018, and since 2013 she has been serving as a managing partner at Condere, focusing on the areas of strategy and M&A. She also held the position of alternate member of the Supervisory Committee of the following publicly-traded companies: BRF, Sonae Sierra, Mahle Metal Leve, SLC Agrícola, Lojas Americanas, and Tegma Logística. With over 20 years of professional experience, she has a history of holding the position of statutory executive officer in medium- and large-sized companies of different segments, such as agribusiness (Louis Dreyfus Group, Bertin), telecom, and technology (BellSouth Intl, Datasul, Bematech, CSU) and white goods (Whirlpool).

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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#### **Tiago Curi Isaac - 303.612.048-33**

Tiago Curi Isaac has a degree in Business Administration from Faculdade Trevisan, in addition to specialization courses on competitive strategy and on board of directors. He is currently a member of the Board of Directors of Banco BANESE, DGH Foods, and BBM Logística. He is also a professor in the Brazilian Institute of Corporate Governance – IBGC. From 2018 to 2019 he served on the Board of Directors of the Brazilian Association of Listed Companies – ABRASCA, as an advisory board member of the Brazilian Association of Venture Capital and Private Equity – ABVCAP. In the last decade, he was the person in charge of the stock exchange market area at B3, where he led the areas of listed companies, IPOs, and investment banks and coordinated the approval of the standards of the current regulation in force governing the Novo Mercado stock exchange. Previously, he had worked as an executive in the Strategy and M&A area at Bunge, in addition to being a consultant at Deloitte.

In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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#### **Fernando Heitor Batista Vaccari - 287.308.218-60**

Mr. Fernando Heitor B. Vaccari holds a degree in Business Administration from Pontifícia Universidade Católica de São Paulo, with a post-graduate degree in Finance and Management from Insper Business School. He is currently CFO at Mar Capital, compliance Director at Mar Gestão de Recursos, Advisor at GJP Hotéis and member of AFESU Advisory Board. Between 2010 to 2018, he worked as a member of the Finance Committee and Board of Directors at CVC Brasil. Prior to that, he worked as head of the planning department at TOTVS, executive manager at LC-EH and CFO of GJP Hotéis and da GJP Participações.





In the past 5 years such Management member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity. Furthermore, such administrator is not considered to be a politically exposed person.

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Member	Type of conviction / Description of Conviction
<b>Dennis Herszkowicz - 165.783.068-38</b>	N/A
<b>Gilsomar Maia Sebastião - 174.189.288-07</b>	N/A
<b>Gustavo Dutra Bastos - 026.942.416-46</b>	N/A
<b>Marcelo Eduardo Sant'anna Cosentino - 306.743.308-46</b>	N/A
<b>Juliano Tubino - 254.357.978-88</b>	N/A
<b>Alexandre Haddad Apendino - 292.459.418-92</b>	N/A
<b>Izabel Cristina Branco - 182.468.118-60</b>	N/A
<b>Eduardo Mazzilli de Vassimon - 033.540.748-09</b>	N/A
<b>Guilherme Stocco Filho - 176.649.438-25</b>	N/A
<b>Gilberto Mifano - 566.164.738-72</b>	N/A
<b>Maria Letícia de Freitas Costa - 050.932.788-58</b>	N/A
<b>Mauro Gentile Rodrigues da Cunha. - 004.275.077-66</b>	N/A
<b>Sylvia de Souza Leão Wanderley - 731.199.977-49</b>	N/A
<b>Laércio José de Lucena Cosentino - 032.737.678-39</b>	N/A
<b>Luiz Carlos Nannini - 038.563.538-95</b>	N/A
<b>Luiz Gotardo Furlan - 329.669.418-80</b>	N/A
<b>Sergio Citeroni - 042.300.688-67</b>	N/A
<b>Monica Hojaij Carvalho Molina - 137.295.488-08</b>	N/A
<b>Tiago Curi Isaac - 303.612.048-33</b>	N/A
<b>Fernando Heitor Batista Vaccari - 287.308.218-60</b>	N/A



## 12.7/8 - Composition of Committees

Name	Type of Committee	Type of Audit	Position Held	Date of Birth	Date on which took office	Term of Office
Individual Taxpayers' Register	Description Other Committees	Profession	Description of other positions held	Date of Election	Number of Consecutive Terms of Office	% of participation in meetings
<b>Other positions and duties held at the issuer</b>						
Gilberto Mifano	Audit Committee	Statutory audit committee adhering to CVM Instruction No. 308/99	Others	11/11/1949	04/30/2020	2 years
566.164.738-72		Business Administrator	Coordinator of the Committee	04/30/2020	3	100.00%
Member of the Board of Directors, Coordinator of the Audit Committee and Member of the Governance and Nomination Committee						
Mauro Gentile Rodrigues da Cunha	Audit Committee	Statutory audit committee adhering to CVM Instruction No. 308/99	Member of the Committee (Permanent)	11/06/1971	04/30/2020	2 years
004.275.077-66		Consultant		04/30/2020	3	100.00%
Member of the Board of Directors, Member of the Audit Committee and of the Personnel and Compensation Committee						
Lavinia Moraes de Almeida Nogueira Junqueira	Audit Committee	Statutory audit committee adhering to CVM Instruction No. 308/99	Member of the Committee (Permanent)	31/05/1976	12/29/2020	1 year
269.993.118-70		Lawyer		12/29/2020	0	0%
Member of the Audit Committee						
Dennis Herszkowicz	Other Committees		Member of the Committee (Permanent)	12/08/1974	04/30/2020	2 years
165.783.068-38	Strategy Committee	Advertising Executive		04/30/2020	2	100.00%
Chief Executive Officer						
Eduardo Mazzilli de Vassimon	Other Committees		Others	10/07/1958	04/30/2020	2 years
033.540.748-09	Governance and Nomination Committee	Economist	Coordinator of the Committee	04/30/2020	2	100.00%
Member of the Board of Directors, Coordinator of the Governance and Nomination and Member of the Personnel and Compensation Committee						
Guilherme Stocco Filho	Other Committees		Member of the Committee (Permanent)	07/01/1974	04/30/2020	2 years
176.649.438-25	Strategy Committee	Business Administrator		04/30/2020	2	100.00%
Member of the Board of Directors and Member of the Strategy Committee						



### Professional experience/Statement of no conviction/Independence criteria

**Gilberto Mifano - 566.164.738-72** / N/A / Yes, he is deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.

**Mauro Gentile Rodrigues da Cunha - 004.275.077-66** / N/A / Yes, he is deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.

**Lavinia Moraes de Almeida Nogueira Junqueira - 269.993.118-70** / N/A / Yes, she is deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.

Ms. Lavinia Junqueira is a lawyer in Sao Paulo, graduated in law from the University of Sao Paulo and has a master's degree in economics from the Pontifical Catholic University of Sao Paulo. She is a Certified Public Accountant (CPA), consultant to the Audit, Risk Management and Finance Committee of Natura & Co Holding S.A., a member of the Fiscal Council (Supervisory Board) of Instituto Natura and has previously served as a member of Banco Pine's Audit Committee. She has significant experience in executive roles in the financial market and in legal, compliance and risk management areas. Key contributions for the Company: Corporate Finance, Legal Intelligence and Corporate Governance.

In the past 5 years such member has not been subject to (i) any criminal conviction; (ii) any conviction or application of any penalty by CVM (Securities and Exchange Commission of Brazil) administrative proceedings; (iii) any final and unappealable judgment, whether in court judicial or at administrative level, which has suspended or disqualified him from practicing any professional or business activity.

Yes, she is deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.

**Dennis Herszkowicz - 165.783.068-38** / N/A/ N/A

**Eduardo Mazzilli de Vassimon - 165.783.068-38** / N/A / Yes, he is deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.

**Guilherme Stocco Filho - 176.649.438-25** / NA/ Yes, he is deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.



**Laércio José de Lucena Cosentino - 032.737.678-39** / He is not deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.

**Maria Letícia de Freitas Costa - 050.932.788-58** / NA/ Yes, she is deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.

**Sylvia de Souza Leão Wanderley - 731.199.977-49** / NA/ Yes, she is deemed as an Independent Director according to the criteria determined in the 'Novo Mercado' Regulation of B3 S.A. - Brasil, Bolsa, Balcão and adopted by TOTVS' Bylaws.

Member	Type of conviction / Description of Conviction
<b>Eduardo Mazzilli de Vassimon - 033.540.748-09</b>	N/A
<b>Guilherme Stocco Filho - 176.649.438-25</b>	N/A
<b>Gilberto Mifano - 566.164.738-72</b>	N/A
<b>Maria Letícia de Freitas Costa - 050.932.788-58</b>	N/A
<b>Mauro Gentile Rodrigues da Cunha. - 004.275.077-66</b>	N/A
<b>Lavinia Moraes de Almeida Nogueira Junqueira - 269.993.118-70</b>	N/A
<b>Sylvia de Souza Leão Wanderley - 731.199.977-49</b>	N/A
<b>Laércio José de Lucena Cosentino - 032.737.678-39</b>	N/A



**12.9 - Existence of a marital relationship, common-law marriage, or kinship up to the 2nd degree related to the issuer's administrators, subsidiaries, and controlling companies**

Name	CPF [Tax Id.]	Corporate name of the issuer, subsidiary, or controlling company	Tax Id. (CNPJ)	Type of kinship or relationship with the administrator of the issuer or subsidiary
<b>Position</b>				
<b><u>Administrator of the issuer or subsidiary</u></b> Marcelo Eduardo Sant'anna Cosentino Vice President Officer of Business for Segments and IT	306.743.308-46	TOTVS S.A.	53.113.791/0001-22	Son (1st degree of kinship by consanguinity)
<b><u>Related person</u></b> Laércio José de Lucena Cosentino Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee	032.737.678-39	TOTVS S.A.	53.113.791/0001-22	
There is no marital relationship, common-law marriage, or kinship up to the second degree between the other Directors and (a) the other members of the Company's Management; (b) the managers of subsidiaries, direct or indirect, of the Company; (c) the direct or indirect controlling shareholders of the Company or its direct or indirect subsidiaries; or (d) the managers of the Company's direct and indirect parent companies.				



**12.10. Relationships of subordination, service provision, or control between Management members and subsidiaries, controlling companies, and other:**

Identification	CPF/CNPJ (tax id.)	Kind of Administrator's relationship with the related person	Kind of related person
<b>Title/Position</b>			
<b>Fiscal year ended Dec. 31, 2020</b>			
<b><u>Issuer's Administrator</u></b>			
Laércio José de Lucena Cosentino	032.737.678-39	Provision of Services	Supplier
Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee			
<b><u>Related person</u></b>			
Inovalli Administração de Obras, Engenharia e Empreendimentos Imobiliários Ltda.	05.127.830/0001-06		
Company controlled by a person related to the administrator			
<b><u>Remark</u></b>			
Agreement to carry out the implementation of the interior design of the new headquarters of TOTVS S.A.			
<b><u>Issuer's Administrator</u></b>			
Laércio José de Lucena Cosentino	032.737.678-39	Control	Supplier
Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee			
<b><u>Related person</u></b>			
VIP IV Empreendimentos e Participações Ltda.	07.951.381/0001-33		
Related person			
<b><u>Remark</u></b>			
Property Lease Agreement, with TOTVS S.A. as lessor, and such related party as lessee			
<b><u>Issuer's Administrator</u></b>			
Ricardo Baldin	163.678.040-72	Control	Supplier
Member of the Audit Committee			





**Related person**

RMB ASSESSORIA E CONSULTORIA CONTABIL

22.637.635/0001-37

**Remark**

Consulting services agreement, with TOTVS S.A. as a contracting company and the related person as a contractor, having as purpose to take part in the Audit Committee as an external consultant

**Issuer's Administrator**

Juliano Miranda de Tubino  
 Vice President of Strategy and New Business

254.357.978-88

Control

Client

**Related person**

Startup Brewing Indústria e Comércio de Bebidas Ltda.

29.000.088/0001-23

**Remark**

Administrator holding shares in the company

**Issuer's Administrator**

Laércio José de Lucena Cosentino  
 Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee

032.737.678-39

Control

Indirect Subsidiary

**Related person**

Instituto da Oportunidade Social

02.449.283/0001-89

**Remark**

Administrator with participation in society

**Issuer's Administrator**

Laércio José de Lucena Cosentino

032.737.678-39

Control

Supplier



Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee

**Related person**

Good Data Corporation

Employer Number:  
208898777

**Remark**

TOTVS' Joint Venture

Identification	CPF/CNPJ (tax id.)	Kind of Administrator's relationship with the related person	Kind of related person
<b>Title/Position</b>			
<b>Fiscal year ended Dec. 31, 2019</b>			
<b><u>Issuer's Administrator</u></b>			
Laércio José de Lucena Cosentino	032.737.678-39	Control	Supplier
Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee			
<b><u>Related person</u></b>			
VIP VII - Empreendimentos e Participações S.A.	11.284.022/0001-47		
Shareholder			
Property Lease Agreement, with TOTVS S.A. as lessor, and such related party as lessee, which is no longer a related party according to the Notice to the Market disclosed by the Company on December 4, 2019.			
<b><u>Issuer's Administrator</u></b>			
Laércio José de Lucena Cosentino	032.737.678-39	Provision of Services	Supplier
Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee			
<b><u>Related person</u></b>			



Identification	CPF/CNPJ (tax id.)	Kind of Administrator's relationship with the related person	Kind of related person
<b>Title/Position</b>			
Inovalli Administração de Obras, Engenharia e Empreendimentos Imobiliários Ltda.	05.127.830/0001-06		
Company controlled by person related to the administrator.			
<b>Remark</b>			
Agreement to carry out the implementation of the interior design of the new headquarters of TOTVS S.A.			
<b>Issuer's Administrator</b>			
Laércio José de Lucena Cosentino	032.737.678-39	Provision of Services	Supplier
Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee			
<b>Related person</b>			
Brazilian Association of Information and Communication Technology Companies (Brasscom)	06.244.855/0001-44		
Member of the Deliberative Council			
<b>Remark</b>			
Annual membership contribution			
<b>Issuer's Administrator</b>			
Laércio José de Lucena Cosentino	032.737.678-39	Provision of Services	Supplier
Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee			
<b>Related person</b>			
B3 – Brasil, Bolsa, Balcão	09.346.601/0001-25		
Member of the Board of Directors (ceased to be a member on April 29, 2019)			



Identification	CPF/CNPJ (tax id.)	Kind of Administrator's relationship with the related person	Kind of related person
<b>Title/Position</b>			
<b>Fiscal year ended Dec. 31, 2018</b>			
<b><u>Issuer's Administrator</u></b>			
Guilherme Stocco Filho	176.649.438-25	Control	Supplier
Member of the Board of Directors and the Strategy Committee			
Red Mind Consultoria, Participações e Administradora de Bens e Serviços Ltda. – EPP	20.673.070/0001-18		
Shareholder			
<b><u>Remark</u></b>			
Consulting services agreement, with TOTVS S.A. as a contracting company and the related person as a contractor, having as purpose to take part in the Strategy Committee as an external consultant, which was terminated upon the election of Mr. Guilherme Stocco Filho as a member of the Board of Directors at the General Shareholders' Meeting held on April 5, 2018.			
<b><u>Issuer's Administrator</u></b>			
Laércio José de Lucena Cosentino	032.737.678-39	Control	Supplier
Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee			
<b><u>Related person</u></b>			
VIP VII - Empreendimentos e Participações S.A.	11.284.022/0001-47		
Shareholder			
<b><u>Remark</u></b>			
Property Lease Agreement, with TOTVS S.A. as lessor, and such related party as lessee			
<b><u>Issuer's Administrator</u></b>			
Laércio José de Lucena Cosentino	032.737.678-39	Provision of Services	Supplier



Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee

**Related person**

Inovalli Administração de Obras, Engenharia e Empreendimentos Imobiliários Ltda. 05.127.830/0001-06

Company controlled by person related to the administrator

**Remark**

Agreement to carry out the implementation of the interior design of the new headquarters of TOTVS S.A.

**Issuer's Administrator**

Laércio José de Lucena Cosentino

032.737.678-39

Control

Supplier

Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee

**Related person**

VIP IV Empreendimentos e Participações Ltda.

07.951.381/0001-33

Shareholder

**Remark**

Property Lease Agreement, with TOTVS S.A. as lessor, and such related party as lessee

**Issuer's Administrator**

Laércio José de Lucena Cosentino

032.737.678-39

Provision of Services

Supplier

Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee

**Related person**

B3 – Brasil, Bolsa, Balcão

09.346.601/0001-25

Member of the Board of Directors

**Remark**

Annual fee payment

**Issuer's Administrator**



Laércio José de Lucena Cosentino Chairman of the Board of Directors, Coordinator of the Governance and Nomination Committee, Member of the Strategy Committee	032.737.678-39	Provision of Services	Supplier
<b><u>Related person</u></b> Brazilian Association of Information and Communication Technology Companies (Brasscom) Member of the Deliberative Council	06.244.855/0001-44		
<b><u>Remark</u></b> Annual membership contribution			



#### **12.11 - Agreements, including insurance policies, for payment or reimbursement of expenses borne by management**

The Company and its subsidiaries continue to take out Civil Liability Insurance Policy for Management - D&O (world class), which provides for the payment or reimbursement of expenses incurred by management, as a result of compensation for damages caused to third parties or to the Company.

The current policy number 087372020010310000728 (insurance plan registered with SUSEP under No 15414.901229/2017-25), which was taken out with the insurance company AIG SEGUROS BRASIL S.A., is valid up until June 1, 2020 and has a maximum indemnity limit of one hundred million *Reais* (BRL 100,000,000.00).

Although covered by the current D&O policy taken out in Brazil, the executive officers and managers of the operations in Mexico, Argentina and the United States of America are also covered by a local policy issued in each country, with a coverage amount of one million US dollars (USD 1,000,000.00), with a view to speeding up the reimbursement of expenses resulting from any possible claims.

TOTVS does not sign Indemnity agreements with its Officers, Executives or Board Members.





## 12.12 – Other material information

### Annual and Extraordinary General Meeting

The Company discloses below information in relation to the meetings held during the last three (3) years and in the current year:

Type	Date	Quorum (% of the Company's share capital)	Call to open the meeting
Annual and Extraordinary General Meeting (AGM & EGM)	April 20, 2021	AGM 72.44% and EGM 72.24%	Convened on 1st call
Annual and Extraordinary General Meeting (AGM & EGM)	April 27, 2020	AGM 67.75% and EGM 72.15%	Convened on 1st call
Annual and Extraordinary General Meeting (AGM & EGM)	April 18, 2019	AGM 71.11% and EGM 73.06%	Convened on 1st call
Annual and Extraordinary General Meeting (AGM & EGM)	April 5, 2018	85.12%	Convened on 1st call
Extraordinary General Meeting (EGM)	December 20, 2017	80.31%	Convened on 1st call
Annual and Extraordinary General Meeting (AGM & EGM)	April 20, 2017	75.70%	Convened on 1st call

At the Ordinary and Extraordinary General Meeting of the current fiscal year, held on April 20, 2021, the The Company's Management approved, among other topics, the following matters: the capital budget, the Management's global compensation proposal and the change in the authorized capital limit with a view to execution of the Company's business plan, the distribution of dividends in the amount of R \$ 50.960 million (R \$ 0.09 per share), the new Share-Based Incentive Plan, which among other points, addresses the main opportunities for the model to evolve in order to adapt to the best market practices and standards international standards.

### In addition to section 12.5/6 and 12.7/ 8

The Company has an immersion process for new members of the Board of Directors, by means of which the member has access to the Company's organizational structure, market positioning, strategic vision and a review of its main strategic projects. The process lasts approximately one day and ideally is carried out prior to the member's first attendance at a Board meeting.

In addition, the Company makes it clear that all employees participated in the training regarding the Code of Ethics and Conduct. In addition to this, we hereby give notice that the executive board should take part in the training on an annual basis.

For more information in relation to the assessment process of the Board of Directors, Committees, Executive Board and the members of each of these bodies, see item 12.1 (d) of this Reference Form.



**13.1 Describe the policy or practice of compensation of the Board of Directors, Statutory and Non-Statutory Board of Executive Officers, Audit Committee, Statutory Committees, and Audit, Risk, Financial, and Compensation Committees, addressing the following matters:**

**a. Purposes of the compensation policy or practice, informing whether such compensation policy has been formally approved, the area responsible for approving it, the date of approval, and all places on the Internet where such document can be read**

The Company has a Human Relations and Compensation Policy, which was approved on June 10, 2020 by the Board of Directors. Such Policy has as purpose to establish the guidelines and responsibilities to be followed in TOTVS people management process, in all the stages of its People Management Cycle. This includes the compensation models, with the aim of giving executives proper incentives as regards the long-term performance of the Company, competitive and aligned with market practices and international standards that enhance the attraction and retention of professionals, raising the medium- and long-term alignment between the interests of executives and shareholders.

Such Human Relations Management and Compensation Policy is available on the TOTVS Investor Relations website (<https://ri.TOTVS.com/ptb/estatutos-politicas-e-regimentos>) and on the CVM website.

**b. how compensation is composed:**

**i. description of the compensation items and the purposes of each one of them**

Board of Executive Officers

The composition of the Statutory and Non-Statutory Board of Executive Officers compensation has a mix of variable short- and long-term incentives based on performance, in addition to a fixed base salary, as detailed below.

*Fixed Compensation:* it is connected to the amount received every month by the professional, and is aimed at compensating him/her for the duties and responsibilities inherent in the position held.

*Variable Compensation:*

- *Short-term incentive (Semi-annual bonus):* it refers to the variable amounts received semi-annually by the professional, as a reward for his/her individual results and the global results of the Company and each business. Such semiannual bonus is bound to global financial indicators, of each business and the individual performance by means the compliance with objective performance metrics that include a combination of measure of a financial and non-financial nature (strategic and operational).
- *Long-term incentive (Stock Plan):* it refers to the value of the restricted common shares issued by the Company that are delivered to eligible Participants, based on individual performance, strictly under the terms and conditions set forth in the current Share-Based Incentive and Retention Plan approved by the General Meeting on December 15, 2015 and amended on April 5, 2018 and April 18, 2019, with the purposes of: (i) increasing the medium- and long-term alignment between the interests of executives and shareholders, enhancing the participants' sense of ownership and commitment; (ii) strengthening the Participants' incentives for long-term permanence and stability, within the context of a publicly-held company; (iii) serving as an essential tool to retain and attract talents, in an industry that suffers global competition and has compensation levels above the average of other sectors; and (iv) fostering the increase in the Company's long-term performance. The number of shares to be granted annually to each participant is based on the individual performance assessment measured based on the "9 Box" method, which considers the effective deliveries of each executive over the fiscal year, the adherence to TOTVS core competencies and the potential future of contribution to the Company. The assessments are carried out by the executive's manager, with subsequent calibration by a collegial body consisting of: (i) the Statutory



Board of Executive Officers, in the case of assessment of non-statutory executive officers; (ii) the Personnel and Compensation Committee; and (iii) the Board of Directors, in the case of assessment of statutory executive officers. The number of restricted shares to be granted to each nominated participant is recommended by the Personnel and Compensation Committee and decided by the Board of Directors.

*Benefits:* it refers to the set of benefits granted to executives, such as health insurance, dental insurance, meal vouchers, private pension plans, life insurance, automobile and fuel voucher. The benefit package aims to be aligned with the main market practices, by adopting most prevailing kinds of benefits in the market. Such set of benefits is the same for all executives. However, there may be differences in the amounts of benefits granted depending on the position and the region in which the executive officer works.

#### Board of Directors

The compensation of the Board of Directors members consists of a fixed monthly compensation that aims at rewarding the directors for the duties and responsibilities related to the position held and according to market practices.

Since 2019, the compensation of the Chairman of the Board is also made up of a variable portion by the performance-based, Long-Term Incentive (stock plan), under the terms and conditions established in the Share-Based Incentive and Retention Plan in force, approved by the General Meeting on December 15, 2015 and amended on April 5, 2018 and April 18, 2019. The granting of Restricted Shares is subject to the fulfillment of predetermined long-term targets that reflect the assertiveness in the contribution and performance to the Company's medium- and long-term strategy with the purpose of generating value for shareholders. In addition, the Chairman of the Board of Directors is also eligible to the following benefits: life insurance, medical plan, dental plan, and vehicle with driver. These forms of compensation have as purpose to recognize the differentiated role the Chairman of the Board has at TOTVS and in the market, since he was elected for this position on November 26, 2018, considered as similar to the role of an enhanced Chairman that includes, among others, targets with three-year cycles related to strategy, Company's long-term performance and institutional performance and mentorship of the CEO.

#### Audit, Personnel and Compensation, Governance and Nomination, and Strategy Committees

The Company's committees are advisory boards consisting of Board of Directors' members, external members and of the Company's Board of Executive Officers. According to the main market practices, the Board of Directors' members who are part of committees receive a monthly fixed compensation in addition to the compensation that they are entitled to as Company directors, with the purpose of rewarding them for their dedication to works in the committees. The external members also receive a monthly fixed compensation for their participation in the committees. On their turn, the members of the Company's Board of Executive Officers do not receive additional compensation for their participation in the committees, when this occurs.

#### **ii. regarding the last 3 fiscal years, the proportion of each item in the total compensation**

The tables below show the proportion of each item in the total compensation of each body regarding the last three fiscal years:

#### **BOARD OF EXECUTIVE OFFICERS**

Compensation Item	2020	2019	2018
<b>Fixed</b>	27%	29%	58%
<b>Variable</b>	67%	60%	37%
<b>Benefits</b>	5%	11%	5%



## BOARD OF DIRECTORS

Compensation Item	2020	2019	2018
<b>Fixed</b>	64%	82%	100%
<b>Variable*</b>	31%	14%	-
<b>Benefits*</b>	5%	4%	-

\* Applicable to the Chairman of the Board of Directors only

The increase in the relation of the variable compensation towards the fixed compensation along the years aligns properly the compensation strategy with the purpose of fostering the Company's future performance.

## AUDIT, PERSONNEL AND COMPENSATION, GOVERNANCE AND NOMINATION, AND STRATEGY COMMITTEES

As shown in item (i) above, the committee members' compensation is 100% composed of fixed compensation.

### iii. method of calculation and updating of each compensation item

The methods of calculation and updating used in each compensation item of the management members are detailed below:

#### Statutory and Non-Statutory Board of Executive Officers

- *Fixed Compensation:* the fixed compensation, paid 13 times a year to the Statutory Board of Executive Officers, can be updated every year at the sole discretion of the Board of Directors, as suggested by the Personnel and Compensation Committee, which assesses the Executive Officer's performance in his/her activities and achievement of the targets set. The fixed compensation can also be updated according to official inflation indices and comparative market reviews carried out by expert consultants, considering the best market practices.

*Short-term incentive:* the semi-annual bonus pool to be distributed to executive officers depends on the achievement of the Company's EBITDA targets and the Company's recurring revenue, as well as the contribution margin and recurring revenue of the business or expenses of each Board of Executive Officers, as determined for the period by the Board of Directors. If any of such indicators does not reach a minimum of 90% of the target set for the period, there will be no bonus payment for the corresponding period. If the targets set are achieved between 90% and 99%, the pool will be proportionally reduced by 50% and 95%. If the target is reached or exceeded, the semiannual bonus pool may be distributed in full.

Once the bonus pool applicable to each half has been determined, the individual bonus is weighted according to the achievement of the individual targets of each executive officer, as such targets reflect the definitions of financial purposes, productivity, and the strategic priorities of the Company, measured through financial (such as recurring growth in revenue, costs and operating expenses), efficiency and project (associated with the growth of the Company in Management, Techfin and Business Performance aspects) indicators, client satisfaction (NPS) and people-related indicators (such as talent retention, engagement index). The chart below illustrates the calculation method:



**Distribution pool:** defined in the budget, it is equal to one% of the EBITDA

**Trigger to perform the payment of the program at TOTVS:**

EBITDA (80%) and Recurring Revenue (20%) TOTVS  
 minimum 90%, i.e.: <90% = 0%; => 90% and < 100% = between 50% and 99%; => 100% = 100%

**Trigger to perform the payment of the program in each area:**

Contribution margin (CM) and Recurring Revenue of the business or expenses of corporate areas  
 minimum 90%, i.e.: <90% = 0%; => 90% and < 100% = between 50% and 99%; => 100% = 100%

**Determination of the Target Agreement of Managers / Executive Officers, replicated for the teams:**

- Finances
- Strategic Project
- People
- Areas

**Metrics to determine quantitative targets:**

Between 90% and 110% of target achievement, equal to 50% and 150% of the bonus

**Metrics to determine project targets:**

- a) Program, Project, Subproject: 0%, 25%, 50%, 75% or 100%
- b) Delivery: 0%, 100%
- c) KPIs: In accordance with financial metrics

**Periodicity of payment**

**1<sup>st</sup> Half:**

Payment in September

**2<sup>nd</sup> half:**

Payment in March

In case the second half offsets any non-achievement (< 90%) or achievement in part (between 90% and 99%) of the first half, and the total target of the year is achieved, an additional 50% of the pool related to the first half is guaranteed when the payment of the second half is calculated.

The targets of each executive officer are determined individually according to his/her field of expertise. The targets of the Statutory Executive Officers can only be changed during the fiscal year for extraordinary reasons, and any adjustments must be reviewed by the Personnel and Compensation Committee and approved by the Board of Directors, as applicable.

The potential gain of the short-term incentive per half is associated with a multiple of the monthly base salary defined per level of career, at the sole discretion of the Board of Directors, as suggested by the Personnel and Compensation Committee, which assesses the competitive positioning of this compensation item towards the market, under the best market practices.

- *Long-term incentive (stock plan):* assisted by the Personnel and Compensation Committee, the Board of Directors approves the members of the board of executive officers who can take part in the Plan and receive restricted shares issued by the Company, based on performance, subject to the terms and conditions of the Plan. The number of shares to be granted to each executive officer is fixed by the Board of Directors, based on the individual performance assessment, considering the best market practices, measured by the "9 Box" method, which takes into account the effective deliveries of each executive over the fiscal year, the adhesion to TOTVS core competencies and the potential future of contribution to the Company. According to the 9 box method, each Executive Officer is placed in a matrix with 9 squares, in which: (i) the X axis (50% weight) represents result indicators bound to the individual quantitative targets set for the year (indicators such as EBITDA, Revenue, Cost, among others), which measure the actual performance of the Executive Officer; and (ii) Y axis (50% weight) measures adherence to strategic business competencies (such as Operational Excellence, Innovation for Results, and Focus on Client Success, among others), and the potential that the executive officer has, according to the determined succession plan, to undertake greater challenges. As result of the assessment, the executive may receive





a range between 0% and 133% of the number of shares of reference of his/her level of career. The result is submitted to the Personnel and Compensation Committee to be reviewed, and to the Board of Directors' final decision. In the interest of the Company and its shareholders, the Board of Directors may either terminate or discontinue the Plan, or even, review its conditions, provided this does not change the corresponding basic principles, especially the maximum limits to transfer restricted shares as approved by the general meeting. Further, the general meeting may approve a new share-based incentive plan of the Company, including in order to allow for the acquisition of shares in excess of the maximum limits approved in the present Plan.

- *Benefits:* the analysis of the benefit package is reviewed every year in view of the market practices found with the help of consultants specialized in the matter.

#### Board of Directors

The fixed compensation, paid 12 times a year, is reviewed every year in view of the market practices identified by expert consultants, and it is also submitted annually to the approval of the Company's shareholders.

The share-based variable compensation applicable to the chairman of the Board of Directors is managed by the Company's Board of Directors, supported by the Personnel and Compensation Committee. Both bodies consist one hundred percent (100%) of independent members, without any association with the organization or performance in any operation or transactions that have conflict of interest with TOTVS. These bodies have full authority to determine the number of restricted shares to be conferred to the chairman of the Board of Directors, in accordance with the quantitative limit of the plan, submitting the proposal to the General Meeting of Shareholders. The Board of Directors also discusses and reviews annually institutional and business targets associated with each granting, making them challenging and enforceable at the same time. The chairman of the Board of Directors does not take part in discussions within the scope of the Personnel and Compensation Committee or discussions and decisions of the Board of Directors related to his own compensation.

The benefits applicable to the Chairman of the Board of Directors are calculated and adjusted in the same manner as those applicable to the Board of Executive Officers.

#### Audit, Personnel and Compensation, Governance and Nomination, and Strategy Committees

The adequacy of fixed compensation and the compensation for participation in committees is reviewed every year in view of market practices determined by specialized consultants, and the corresponding amounts are annually submitted to shareholders' approval.

### **iv. reasons that justify the composition of the compensation**

#### Statutory and Non-Statutory Board of Executive Officers

The established compensation items aim at ensuring parity with market practices and international standards, representing the strategy of attracting and retaining skilled professionals, as well as the sustainability of the Company's businesses, combining a fixed monthly compensation with the semi-annual variable compensation (short term) and the stock plan (long term), giving executives proper incentives regarding the Company's long-term performance. The variable compensation strategy bound to the Company's results aims at ensuring greater engagement, sense of ownership by the executives, incentive towards the Company's future performance and greater alignment of interests with shareholders. At the same time, it also aims at guaranteeing retention, especially in a technology sector that suffers global competition for talents and that has been experiencing significant cost inflation and a shortage of human resources. We understand that a critical factor for the Company's success is the ability to attract and retain its main executives and talents, and their compensation is an essential part of that.

#### Board of Directors

The Board of Directors' fixed compensation aims at ensuring parity with market practices and international standards, representing the strategy of attracting and retaining qualified professionals, as well as the sustainability



of the Company's businesses, giving directors proper forms of compensation towards the Company's long-term performance.

It is worth mentioning that the current Chairman of the Board of Directors is the founder of the Company, having been holding the position of Chairman/CEO for more than 30 years. His level of knowledge, experience, and representativeness in the Company and towards other stakeholders (clients, partners, public and private entities, etc.) has great value for TOTVS, especially in these first years exercising the position of Chairman of the Board of Directors. Thus, we understand that his position is distinguished from the traditional position of a Chairman of the Board of Directors, as he has a distinguished set of skills, experiences and knowledge that make his contributions to the Board and to TOTVS relevant to the organization success. It is natural that there is an expected, desired adjustment of the role performed today during the next years, reflecting also his success as a mentor to the CEO. The Board of Directors, represented by all its independent members, will evaluate the duties every year and, accordingly, the proposal of compensation to the Chairman of the Board of Directors, reflecting this scenario and by means of the analysis of the best market practices.

Among the main skills of the present Chairman of the Board of Directors, we mention:

- i. Extensive and profound knowledge on the technology industry and the software market, enabling him to play a reference role towards the several stakeholders;
- ii. Sound interpersonal skills in institutional representation, organization and influence in strategic negotiations;
- iii. Skill to address in depth very complex topics related to the business and the industry, establishing a visionary leadership in the construction of TOTVS strategic orientation;
- iv. Efficient conduction of discussions at the Board, encouragement for engagement and search of decisions; and
- v. Development and empowerment of the CEO.

The following current activities inherent in the position of chairman of TOTVS Board of Directors are pointed out:

- i. keep relationship with shareholders for governance matters and strategic guidelines;
- ii. whenever necessary, represent the Company before the Government, domestic or international political authorities, market entities, regulatory agencies, multilateral and/or international bodies and international associations in which the Company participates; and
- iii. act as a spokesman of the Board of Directors, authorized to talk about Company's institutional matters and topics related to domestic and international stock markets.

We also consider that the practice of long-term incentive associated with performance metrics is aligned with the best international practices and the role of the Chairman of the Board, which is to ensure the company sustainability, without interferences in the supervisory duties of the Board of Directors and without conflicts of interest. According to Korn Ferry's "2020 Boards of Directors Study", about 80% of U.S. companies perform ILP under the form of restricted shares to Board members, a practice increasing year after year in the Brazilian market. TOTVS, a global technology company, is one of the pioneers of this movement in Brazil.

Thus, with the purpose of ensuring their retention and dedication, in view of the scope of duties of the chairman of TOTVS Board of Directors, as set forth in the Bylaws of TOTVS Board of Directors, the share-based variable compensation strategy aims at guaranteeing more alignment of interests with the shareholders, and the grant of the benefits aims at ensuring parity with market practices applicable to positions with similar duties.

#### Audit, Personnel and Compensation, Governance and Nomination, and Strategy Committees

The compensation of directors and external members for taking part in committees aims at ensuring parity with market practices, representing the strategy of attracting and retaining qualified professionals, as well as the sustainability of the Company's businesses.

#### **v. the existence of members unpaid by the issuer and the reason for that**



All the members of the Statutory and Non-Statutory Board of Executive Officers, Board of Directors and advisory committees are paid, with exception of the executive officers concerning their occasional participation in advisory committees.

**c. key performance indicators taken into consideration in determining each compensation item**

The performance indicators selected by the Company to determine each one of the short- and long-term variable compensation elements of the Board of Directors and the Statutory Board of Executive Officers are related to the business and specific industry in which the company operates and, especially, applicable to the main value orientations.

Statutory and Non-Statutory Board of Executive Officers

The key performance indicators employed to determine the Short-Term Incentive are:

*Program triggers:* EBITDA and recurring revenue of the Company, as well the contribution margin and the recurring revenue of each business or expenses of any Board of Executive Directors, as defined by the Board of Directors for such period.

*Individual target agreements:*

- Financial indicators, such as recurring revenue, costs and operating expenses;
- Productivity, efficiency indicators and strategic projects associated with the Company growth in the Management, Techfin and Business Performance markets;
- Client satisfaction indicators (e.g.: NPS); and
- People-related indicators, such as talent retention and engagement index.

The performance indicators used by the Board of Directors to determine the number of shares to be granted within the scope of the Stock Plan (Long-Term Incentive) is based on the "9Box" method, as described in section 13.1(b) (i) and (iii) and summarized in the chart below:





<b>results (50%)</b>	<b>1A</b> On average 5% of the participants <b>Deceleration of 33% of the ILP</b>	<b>2A</b> On average 7.5% of the participants <b>Acceleration of 10% of the ILP</b>	<b>3A</b> On average 10% of the participants <b>Acceleration of 33% of the ILP</b>
	<b>1B</b> On average 5% of the participants <b>0% of the ILP</b>	<b>2B</b> On average 45% of the participants <b>100% of the ILP</b>	<b>3B</b> On average 7.5% of the participants <b>Acceleration of 10% of the ILP</b>
	<b>1C</b> On average 5% of the participants <b>0% of the ILP</b>	<b>2C</b> On average 5% of the participants <b>0% of the ILP</b>	<b>3C</b> On average 5% of the participants <b>Deceleration of 33% of the ILP</b>
	<b>competencies (25%) + potential (25%)</b>		

The same performance indicators used in the Short-Term Incentive and the Long-Term Incentive are considered by the Board of Directors, as suggested by the Personnel and Compensation Committee, for evaluation of any adjustments to the fixed compensation of each statutory executive officer.

There are no performance criteria related to the grant of benefits, whose set is the same for all executive officers. There may be differences in the amounts of benefits granted depending on the position and the region in which the executive officer works.

Board of Directors and Audit, Personnel and Compensation, Governance and Nomination, and Strategy Committees  
The fixed compensation of Board of Directors and committee members is not based on performance indicators.

In accordance with the best market practices, the share-based compensation of the chairman of the Board takes into account long-term performance indicators that have:

**(i) quantitative content** – targets bound to the business, evaluating the assertiveness in the contribution to and performance of the Company's medium- and long-term strategy with the purpose of generating value for Company shareholders, including absolute and relative indicators, like the long-term performance of TOTVS shares at Ibovespa; and

**(ii) qualitative content** - targets bound to the CEO succession, making specific efforts aiming at positive, growing results in the process of his succession, strengthening as an industry and corporate leader in every aspect; the institutional role played by the chairman of the Board of Directors, acting with entities of the technology industry, whether on his own behalf or leading the Company's Institutional Relations, with TOTVS purpose, of being one of the benchmark companies in the construction of an ecosystem for technological growth and innovation in Brazil; and the evaluation by the independent members of the Board of Directors about the quality of performance towards the proper operation of the Board.



**d. the compensation is structured as follows to reflect the evolution of performance indicators**

The compensation structure to reflect the evolution of performance indicators is described in section b. (iii).

**e. how the compensation policy or practice is aligned with the Company's interests in the short, medium and long term**

The items comprising the compensation policy are determined with the purpose of attracting, retaining, engaging professionals, in addition to creating a feeling of ownership of the professionals towards the Company, balancing elements that have short-, medium- and long-term metrics as parameters. The implementation of the Share-Based Incentive and Retention Plan has been increasing the relevance of the variable items in the total compensation composition, presented in section b. (ii), which also contributes significantly to a higher level of alignment of long-term interests.

**f. existence of compensation borne by subsidiaries, controlled companies or direct or indirect controllers**

There is no compensation of statutory management members borne by subsidiaries, controlled companies or direct or indirect controllers in the Company.

**g. existence of any compensation or benefit bound to the occurrence of a certain corporate event, such as the disposal of issuer's controlling interest**

Agreements with statutory executive officers provides for the payment of indemnities to them exclusively in the event that the removal of an executive officer takes place after certain relevant corporate changes, such as changes in the Company's control; acquisitions and/or subscriptions by third parties of shares representing 20% of the Company's capital stock; corporate reorganizations; or the decision to dissolve the Company.

In addition, the Chief Executive Officer will be entitled to receive the equivalent to 100% of the annual global compensation for the proportional period remaining to three (3) years, if, within such three (3) year period from November 2018, (i) a material corporate change occurs, and (ii) the Company terminates its agreement without a cause.

**h. practices and procedures adopted by the board of directors to determine the individual compensation of the board of directors and the board of executive officers:**

**i. the issuer's bodies and committees that take part in the decision-making process, and how they take part in it**

The Personnel and Compensation Committee is the body that provides the Board of Directors with support in the decision-making process bound to the preparation of the individual compensation proposal for the Board of Directors' and the Statutory Board of Executive Officers' members, by performing reviews of the best market practices and international standards. Both bodies consist one hundred percent (100%) of independent members, without any association with the organization or performance in any operation or transactions that have conflict of interest with TOTVS. The chairman of the Board of Directors does not take part in discussions within the scope of the Personnel and Compensation Committee or discussions and decisions of the Board of Directors related to his own compensation.

**ii. criteria and methods used for setting individual compensation, pointing out whether studies are used to check market practices, and, if so, the comparison criteria and the scope of those studies**

The criteria and methods used to define the individual compensation consider studies related to the best market practices, based on the results of surveys carried out by expert consultants, considering companies with a profile similar to that of the Company in size and structure.

**iii. how often and how the board of directors assesses the adequacy of the issuer's compensation policy**



Every year, the Personnel and Compensation Committee assesses the retention of Company's talents, which includes the review of the need for adapting the compensation practices adopted, including benefits, to the standards practiced in the market and, particularly, to the information technology market. If such committee deems it necessary and/or appropriate, adjustments are recommended to the Board of Directors. In addition, executives' targets, the achievement of which is decisive to determine the amount to be paid by the Company as variable compensation and the amount of restricted shares to be granted to such executives, under the terms of the Share-based Compensation Plan, are reviewed on an annual basis and confirmed by the Company's Board of Directors.



### 13.2 Compensation acknowledged in the result of the last 3 fiscal years and the one set forth for the current fiscal year, to the board of directors, the statutory board of executive officers and the audit committee

The tables below show information on the compensation of the Company's Board of Directors and Statutory Board of Executive Officers: (i) acknowledged in the result of the fiscal years ended on December 31, 2020, December 31, 2019 and December 31, 2018, considering the number of members of each body who actually received compensation; and (ii) set forth for the current fiscal year.

Proposal of total compensation for the current Fiscal Year (December 31, 2021) – Annual Amounts				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee*	Total
Total number of members	7.00	7.50	6.00	20.50
Number of paid members	7.00	7.50	3.00	17.50
<b>Annual fixed compensation</b>				
Salary or management compensation	3,381,243.73	8,292,805.49	331,712.22	12,005,761.44
Direct and indirect benefits	380,699.23	1,495,195.59	-	1,875,894.82
Participation in committees	1,174,779.61	-	-	1,174,779.61
Others	-	-	-	-
Description of other fixed compensations				
<b>Variable compensation</b>				
Bonus	-	5,723,800.27	-	5,723,800.27
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Others	-	-	-	-
Description of other variable compensations				
<b>Post-employment</b>	-	275,077.86	-	275,077.86
<b>Termination of position</b>	-	-	-	-
<b>Share-based (including options)</b>	4,487,100.00	25,076,560.30	-	29,563,660.30
<b>Note</b>	The number of members of each body was calculated as the annual average of each body, determined monthly, in accordance with the method presented in Official Letter/CVM/SEP/Nº2/2020.			
<b>Total compensation</b>	<b>9,423,822.57</b>	<b>40,863,439.51</b>	<b>-</b>	<b>50,287,262.08</b>

\*The decision to establish the Fiscal Council was made at the Annual General Meeting held on April 20, 2021.



Total compensation of the Fiscal Year ended on December 31, 2020 – Annual Amounts				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee*	Total
Total number of members	7.67	7.00	-	14.67
Number of paid members	7.67	7.00	-	14.67
<b>Annual fixed compensation</b>				
Salary or management compensation	3,452,224.00	7,472,519.96	-	10,924,743.96
Direct and indirect benefits	369,311.15	1,238,120.80	-	1,607,431.95
Participation in committees	1,010,995.20	-	-	1,010,995.20
Others	-	-	-	-
Description of other fixed compensations				
<b>Variable compensation</b>				
Bonus	-	3,579,074.14	-	3,579,074.14
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Others	-	-	-	-
Description of other variable compensations				
<b>Post-employment</b>	-	161,884.25	-	161,884.25
<b>Termination of position</b>	-	92,195.26	-	92,195.26
<b>Share-based (including options)</b>	2,139,000.00	15,025,297.32	-	17,164,297.32
<b>Note</b>	The number of members of each body was calculated as the annual average of each body, determined monthly, in accordance with the method presented in Official Letter/CVM/SEP/Nº2/2020.			
<b>Total compensations</b>	<b>6,971,530.35</b>	<b>27,569,091.73</b>	<b>-</b>	<b>34,540,622.08</b>

\*The Company had no Fiscal Council established as of Dec. 31, 2020



Total compensation of the Fiscal Year ended on December 31, 2019 – Annual Amounts				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee*	Total
Total number of members	8.75	6.50	-	15.25
Number of paid members	8.75	6.50	-	15.25
<b>Annual fixed compensation</b>				
Salary or management compensation	3,667,777.50	6,397,958.01	-	10,065,735.51
Direct and indirect benefits	245,701.78	1,236,823.14	-	1,482,524.92
Participation in committees	956,214.90	-	-	956,214.90
Others	-	-	-	-
Description of other fixed compensations				
<b>Variable compensation</b>				
Bonus	-	5,334,000.00	-	5,334,000.00
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Others	-	-	-	-
Description of other variable compensations				
<b>Post-employment</b>	-	129,526.82	-	129,526.82
<b>Termination of position</b>	-	1,014,147.86	-	1,014,147.86
<b>Share-based (including options)</b>	769,600.00	7,803,629.42	-	8,573,229.42
<b>Note</b>	The number of members of each body was calculated as the annual average of each body, determined monthly, in accordance with the method presented in Official Letter/CVM/SEP/Nº2/2020.			
<b>Total compensation</b>	<b>5,639,294.18</b>	<b>21,916,085.25</b>	<b>-</b>	<b>27,555,379.43</b>

\*The Company did not have no Fiscal Council established as of Dec. 31, 2019.



Total compensation of the Fiscal Year ended on December 31, 2018 – Annual Amounts				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee*	Total
Total number of members	9.00	9.50	-	18.50
Number of paid members	8.17	9.50	-	17.67
<b>Annual fixed compensation</b>				
Salary or management compensation	2,646,697.51	10,839,218.40	-	13,485,915.91
Direct and indirect benefits	-	880,442.93	-	880,442.93
Participation in committees	620,288.20	-	-	620,288.20
Others	-	-	-	-
Description of other fixed compensations				
<b>Variable compensation</b>				
Bonus	-	3,160,896.96	-	3,160,896.96
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Others	-	-	-	-
Description of other variable compensations				
<b>Post-employment</b>	-	146,765.52	-	146,765.52
<b>Termination of position</b>	-	-	-	-
<b>Share-based (including options)</b>	-	3,724,983.56	-	3,724,983.56
<b>Note</b>	The number of members of each body was calculated as the annual average of each body, determined monthly, in accordance with the method presented in Official Letter/CVM/SEP/Nº2/2020.			
<b>Total compensation</b>	<b>3,266,985.71</b>	<b>18,752,307.37</b>	<b>-</b>	<b>22,019,293.08</b>

\*The Company did not have a Fiscal Council established as of Dec. 31, 2018.

For comparison purposes, we present in section 13.16 the details of the global annual compensation for fiscal year 2020 and the Compensation Proposal for fiscal year 2021.





### 13.3. Variable compensation of the last 3 fiscal years and the one set forth for the current fiscal year, to the board of directors, the statutory board of executive officers and the audit committee

The tables below show information on the variable compensation of the Company's Board of Directors and Statutory Board of Executive Officers: (i) acknowledged in the result of the fiscal years ended on December 31, 2020, December 31, 2019 and December 31, 2018, considering the number of members of each body who actually received variable compensation; and (ii) set forth for the current fiscal year.

Variable compensation set forth for the current fiscal year (2021)				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee	Total
<b>Number of Members</b>	7.00	7.50	-	14.50
<b>Number of paid members</b>	7.00	7.50	-	14.50
<b>Bonus</b>				
Minimum amount set forth in the compensation plan	-	1,430,950.07	-	1,430,950.07
Maximum amount set forth in the compensation plan	-	5,723,800.27	-	5,723,800.27
Amount set forth in the compensation plan, if the targets are achieved	-	5,723,800.27	-	5,723,800.27
<b>Profit Sharing</b>				
Minimum amount set forth in the compensation plan	-	-	-	-
Maximum amount set forth in the compensation plan	-	-	-	-
Amount set forth in the compensation plan, if the targets are achieved	-	-	-	-



Variable compensation – fiscal year ended on December 31, 2020				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee	Total
Number of Members	7.67	7.00	-	14.67
Number of paid members	7.67	7.00	-	14.67
<b>Bonus</b>				
Minimum amount set forth in the compensation plan	-	1,197,233.86	-	1,197,233.86
Maximum amount set forth in the compensation plan	-	4,788,935.43	-	4,788,935.43
Amount set forth in the compensation plan, if the targets were achieved	-	4,788,935.43	-	4,788,935.43
Amount actually acknowledged in the result of the fiscal year	-	3,579,074.14	-	3,579,074.14
<b>Profit Sharing</b>				
Minimum amount set forth in the compensation plan	-	-	-	-
Maximum amount set forth in the compensation plan	-	-	-	-
Amount set forth in the compensation plan, if the targets were achieved	-	-	-	-
Amount actually acknowledged in the result of the fiscal year	-	-	-	-



Variable compensation – fiscal year ended on December 31, 2019				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee	Total
<b>Number of Members</b>	8.75	6.50	-	15.25
<b>Number of paid members</b>	8.75	6.50	-	15.25
<b>Bonus</b>				
Minimum amount set forth in the compensation plan	-	667,463.80	-	667,463.80
Maximum amount set forth in the compensation plan	-	8,009,565.56	-	8,009,565.56
Amount set forth in the compensation plan, if the targets were achieved	-	5,339,710.37	-	5,339,710.37
Amount actually acknowledged in the result of the fiscal year	-	5,334,000.00	-	5,334,000.00
<b>Profit Sharing</b>				
Minimum amount set forth in the compensation plan	-	-	-	-
Maximum amount set forth in the compensation plan	-	-	-	-
Amount set forth in the compensation plan, if the targets were achieved	-	-	-	-
Amount actually acknowledged in the result of the fiscal year	-	-	-	-



Variable compensation – fiscal year ended on December 31, 2018				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee	Total
<b>Number of Members</b>	9.00	9.50	-	18.50
<b>Number of paid members</b>	8.17	9.50	-	17.67
<b>Bonus</b>				
Minimum amount set forth in the compensation plan	-	972,841.94	-	972,841.94
Maximum amount set forth in the compensation plan	-	11,674,103.34	-	11,674,103.34
Amount set forth in the compensation plan, if the targets were achieved	-	7,782,735.56	-	7,782,735.56
Amount actually acknowledged in the result of the fiscal year	-	3,160,896.96	-	3,160,896.96
<b>Profit Sharing</b>				
Minimum amount set forth in the compensation plan	-	-	-	-
Maximum amount set forth in the compensation plan	-	-	-	-
Amount set forth in the compensation plan, if the targets were achieved	-	-	-	-
Amount actually acknowledged in the result of the fiscal year	-	-	-	-



#### **13.4. Share-based compensation plan of the board of directors and the statutory board of executive officers, in force in the latest fiscal year and set forth for the current fiscal year**

The Company presently has a share-based compensation plan in force hereinafter referred to as "Plan 2", approved at a Meeting on December 15, 2015 and amended at a Meeting on April 5, 2018 and April 18, 2019. The granting proposal for 2021 is based exclusively on the scope of this plan. The previous plan, hereinafter referred to as "Plan 1", approved at a Meeting on November 29, 2012, does not have new grants, and its last fiscal years were ended in 2020.

The Company Management proposes to approve a new Share-Based Incentive Plan ("New Plan") at an Extraordinary General Meeting of April 20, 2021, in accordance with the information supplied in the Management Proposal. The Management intends to make the grants within the scope of the New Plan as of 2022 and terminate the Plan in force today ("Plan 2"), without prejudice to the performance-by the Company-of the remaining obligations as regards the grants already made.

As approved at the Extraordinary General Meeting ("EGM") held on April 27, 2020, for comparison purposes, the values mentioned in plans "1" and "2", in the sections below, consider the split of all the shares issued by the Company, at the ratio of one common share to three shares of the same kind, without changes in the capital stock.

#### **DESCRIPTION OF PLAN 1**

##### **a. general terms and conditions of the plan**

The TOTVS Stock Option Plan ("Plan 1") is managed by the Board of Directors, which is exclusively responsible for:

- (i) determining the Beneficiaries of each type of option and eligibility for the Partner Program;
- (ii) determining the total number of options of each type subject of such granting, as well as the number of options of each type which each Beneficiary will be individually entitled to;
- (iii) determining performance-related targets to set forth criteria for choosing Beneficiaries, as well as determining the number of options to be granted to each Beneficiary;
- (iv) determining the form and payment term for the exercise price of such options;
- (v) changing the terms and conditions of the options granted in the event of any change in the applicable laws;
- (vi) proposing changes to the Plan to be submitted for approval by the Company's General Meeting;
- (vii) giving the Company's Board of Executive Officers consent to execute the Option Agreements with the Beneficiaries of the Plan, as well as the Share Subscription Agreements and any amendments, whenever necessary; and
- (viii) deciding the omitted cases, observing the general guidelines of the Plan and the applicable legal provisions.

The Plan is valid for 60 months immediately after its approval by the Company's General Meeting, remaining in force until the expiration of the Exercise Period or Effective Period of the outstanding Options.

The main characteristics of Plan 1 are listed below:

- *Participants:* Management members and employees of the Company, who are members of the Company's Executive Committee, hold positions as Directors or Executive Officers, or are employees of the Company and its controlled companies who, at the discretion of the Board of Directors, have stood out for contributing significantly to the performance of the Company, or whose hiring or retention is of vital importance for the good performance of the Company's plans and strategies;
- *Granting of Regular Options bound to the acquisition of shares:* to the beneficiary acquiring TOTVS' shares with funds corresponding to amounts received as profit-sharing distribution (PLR) in a given fiscal year and that undertakes to maintain them for the Lock-up period to receive options, options called Regular Options will be granted;



- *Vesting term ("Grace Period")*: the options will be mature 3 years from the date of granting the options;
- *Exercise period*: the participants can exercise the options within 2 years from the end of the vesting period, that is, up to 5 years from the granting;
- *Lock-up period on Shares to receive Regular Options*: the shares acquired under Plan 2, to be entitled to receive Regular Options, cannot be disposed of for 2 years. On their turn, those shares acquired in result of exercising the Regular Options, are not subject to such rule forbidding them to be disposed of;
- *Granting of Restricted Options bound to the acquisition of shares*: to the beneficiary acquiring TOTVS' shares by investing an amount corresponding to 100% of the amount received in a certain fiscal year as profit-sharing distribution (PLR), and that undertakes to keep them for the Lock- up period to receive Restricted Options, options called Restricted Options will be granted. Restricted Options are intended for approximately 20% of beneficiaries of Regular Options, which are part of the so-called "Partner Program";
- *Exercise of Restricted Options*: Restricted Options may be exercised upon proof of the exercise of Regular Options; and
- *Lock-up period on Shares resulting from the exercise of Restricted Options*: those shares acquired through the exercise of Restricted Options cannot be disposed of for 1 year from the exercise.

#### **b. main purposes of the plan**

The Option-based Incentive Plan ("Plan 1") aims at setting forth rules so that certain employees and management members of the company or other companies under its control ("Beneficiaries") can acquire shares issued by them by granting a Stock Option Purchase plan, aiming, thus, at aligning in the medium and long term the interests of the Beneficiaries with those of the shareholders, expanding the sense of ownership and commitment of the executives through the concept of investment and risk, binding the granting of long-term incentives with the short-term result of the Company and the executive, and introducing the "Partner Program" concept, which reinforces the retention power of a selected strategic group.

#### **c. how the plan contributes to achieve such purposes**

The Plan contributes to such purpose to the extent that it creates a bond between the compensation of eligible beneficiaries and the Company's performance, as the greater the benefit, the better the performance of the Company and its reflection on the appreciation of its share price.

Eligible people tend to become more motivated by the possibility of increasing their compensation in the long run and to work in line with market and shareholders' expectations, trying to make decisions not only for their own benefit, but for the benefit of the organization as a whole.

#### **d. how the plan fits into the issuer's compensation policy**

The plan aimed to supplement the compensation of eligible beneficiaries, as it adds a long-term compensation element [for more information, see section 13.1 (b)], since the eligible beneficiary, to become a holder of the Regular Options, must invest the percentage of the amount received in the exercise as Bonus/PLR (profit sharing distribution), net of income tax, which may be 50% or 100%. The percentage of the amount received in the fiscal year as Bonus/PLR invested will be considered as a criterion to determine the number of Regular Options to be granted by the Company to the Beneficiary, and to participate in the Partner Program and become a holder of Restricted Options must be 100%.

The plan also has the effect of retaining talents in an increasingly competitive market, in addition to creating incentives to provide greater motivation to beneficiaries.

#### **e. how the plan aligns the interests of management members and the issuer in the short, medium, and long term**

Plan 1 was part of the compensation strategy for management members, adding a long-term element in which the Beneficiary wishing to exercise his/her options may exercise them for a two-year period beginning on the day after the end of the Grace Period, considering that the exercise price of the Options will be the price for which Shares issued by the Company will be acquired.



The Options will be valid for five years from their granting, after which they will be extinguished.

Another important element is the one best described in section 13.4(n), since the termination of the eligible beneficiary for cause extinguishes the options granted that have not yet been exercised by the date of his/her termination, exceptions made with the specific approval by the Board of Directors. Accordingly, both the reservation of rights and the dismissal of the employee require, in different ways, that the professional behavior of the eligible persons is not opportunistic and is oriented to longer periods of time. This is because, in the short term, their compensation will not be increased by the variable part composed of stock options and, in the medium term, a low level of performance by the employee may result in termination or decrease in the Company's share price.

**f. maximum number of shares covered**

The total number of Shares to be allotted to the Plan could not exceed two point five percent (2.5%) of the Company's capital stock within four years (counted from the date of approval of the Plan by the Company's General Meeting).

For the purposes of such limit, all Options granted based on the Plan will be considered, as well as the Shares already acquired or subscribed by the respective Beneficiaries as result of the Plan, regardless of being under their possession.

In order to perform the exercise of Options granted under the terms of the Plan, the Company could issue new shares within the limit of authorized capital, excluding the preemptive right of the current Company shareholders, as allowed for by Article 171, paragraph 3 of Law 6404 of December 15, 1976, as amended.

**g. maximum number of options to be granted**

The total number of Shares to be allotted to the Plan could not exceed two point five percent (2.5%) of the Company's capital stock within four years (counted from the date of approval of the Plan by the Company's General Meeting).

**h. conditions for share acquisition**

For Regular Options, the market price of the Share at the time of granting the Option applies, so determined based on the average of the closing prices of the last five trading days prior to the Granting Date.

The exercise price of the Restricted Options will be the fulfillment of the obligation to do, consisting in the acquisition of Shares issued by the Company with an investment of 100% of the amount received by the Beneficiary in the previous fiscal year as Bonus/PLR (profit sharing distribution), net of income tax, and by keeping the ownership of such Shares unchanged for the Lock-up Period.

**i. criteria for setting the acquisition or strike price**

The strike price is determined based on the unit value of TOTVS' shares and corresponds to the arithmetic average of their prices in the 5 trading days prior to the granting date.

**j. criteria for determining the term of exercise**

Regular Options may be exercised for up to 24 months after the Grace Period, established at 36 months, and Restricted Options may only be exercised after the Grace Period and upon proof of the exercise of Regular Options. Only full batches of Options may be exercised, and fractional exercise of only part of a grant cannot be performed.

**k. settlement method**

The strike price must be paid in cash, upon subscription or purchase of the corresponding shares. The Company uses treasury stock to comply with the exercise of stock option rights.





#### **l. restrictions to transfer shares**

The shares acquired for the beneficiary to be entitled to receive Regular Options cannot be disposed of for 2 years. On their turn, those shares acquired as result of exercising Regular Options are not subject to such rule forbidding their disposal. Besides, shares acquired through the exercise of Restricted Options will remain forbidden to be disposed of for 1 year from the exercise of the option.

#### **m. criteria and events that, when found, cause suspension, change, or termination of the plan**

The General Meeting of Shareholders is responsible for amending, suspending, or extinguishing the Plan, especially in the event of facts implying a significant change in the economic scenario that could compromise the Company's financial situation.

The granting of Options under the Plan does not prevent the Company from engaging in transactions of disposal of control and operations of corporate reorganization, such as conversion, merger, consolidation and spin-off.

If the Company is dissolved, liquidated, or adjudicated bankrupt, the options will be automatically extinguished, and all effects thereof will cease to have effect for all legal purposes, without prejudice to any provision otherwise in the Plan.

#### **n. consequences in case the management member leaves the issuer's bodies, about his/her rights provided for in the share-based compensation plan**

In case the beneficiary leaves the Company for any reason, either at the initiative of the Beneficiary or at the initiative of the Company, with or without cause, the following rules apply: (a) the Lock-up Period that applied to the Shares acquired directly through the investment of the Beneficiary's profit-sharing distribution (PLR) will cease to exist, and the Shares will be immediately released to be sold; (b) the Lock-up Period for Shares Acquired with Restricted Options will continue to elapse normally; (c) Mature Options may be exercised for three months from such date of the beneficiary's Termination, after which they will be extinguished; and (d) Options still in the Grace Period will be extinguished. Any exceptions to this rule must be approved by the Company's Personnel and Compensation Committee.

In case of death, permanent disability or retirement of the beneficiary, the following rules apply: (i) the Lock-up Period that applied to the Shares acquired directly through the investment of the Beneficiary's profit-sharing distribution (PLR) will cease to exist, and the Shares will be immediately released to be sold; (ii) the Lock-up Period for Shares acquired with Restricted Options will cease to exist; and (iii) the Grace Period will be eliminated, and the Options may be exercised immediately, during the Option Exercise Period or the Effective Term of the Options.



## DESCRIPTION OF PLAN 2

### a. general terms and conditions of the plan

The Share-Based Incentive and Retention Plan approved at the Company's Extraordinary General Meeting held on December 15, 2015 was amended, as approved at the meetings held on April 5, 2018 and April 18, 2019 to improve its concepts, effectiveness, and simplicity, focusing on the central and most critical aspects.

The Plan is managed by the Company's Board of Directors, with the support of the Personnel and Compensation Committee, which has the authority to manage it, having, among other, the required powers to, subject to the terms and conditions of the Plan:

- (i) decide on any and all measures connected to the management of the Plan, and to construe and apply the general rules provided for herein;
- (ii) select, from among the persons eligible to take part in the Plan;
- (iii) determine the number of Restricted Shares to be granted to each Participant;
- (iv) decide on the acquisition of Shares by the Company itself, as required;
- (v) approve the Agreement to be entered into between the Company and each of the Participants;
- (vi) change the Grace Periods, as well as the other terms and conditions of the Agreement to the extent that the rights of the Participants arising from or connected to the Plan are not impaired, being excluded from such limitation any adaptations that may be performed by the Board of Directors due to changes made in the applicable legislation;
- (vii) review exceptional cases arising from or related to the Plan; and
- (viii) settle doubts regarding the interpretation of the general rules set forth in the Plan and to address omitted cases.

No Participant will have any of the rights and privileges of a Company's shareholder, including to receive dividends, interest on own equity, and other earnings until the date of the effective transfer of the Restricted Shares.

The Plan, as amended, came into force on the date of its approval by the Company's General Meeting held on April 18, 2019 and shall remain in force until December 14, 2025.

The main characteristics of Plan 2 are listed below:

- *Shares*: means the common shares issued by the Company.
- *Restricted Shares*: means the common shares issued by the Company to be delivered to the Participant, strictly under the terms and conditions set forth in the Plan and the Agreement.
- *Grace Period of the Regular Program*: means, as regards the Regular Program, the grace period of 3 (three) years from the Date of Granting of Restricted Shares, after which the Participant will acquire the right to become the holder of the Restricted Shares and the Company will be required to transfer the Restricted Shares to the Participant under the terms of the Agreement.
- *Grace Period of the Partners Program*: means, as regards the Partner Program, the grace period of 3 (three) years from the Date of Granting of Restricted Shares, after which the Participant will be entitled to become holder of the Restricted Shares and the Company will be required to transfer the Restricted Shares to the Participant under the terms of the Agreement.
- *Regular Program*: means a part of the Plan composed of: (i) Executive Program - for which employees and managers of the Company and/or of the controlled companies or subsidiaries of the Company, who are



considered executive officers of the Company, will be eligible based on assessment and performance; and (ii) Highlights of the Year Program - for which employees of the Company and/or of the Company's controlled or subsidiary companies who are not executive officers and are considered 'highlights of the year' based on assessment and performance will be eligible; all of them shall be appointed by the Personnel and Compensation Committee and approved by the Company's Board of Directors, at its sole and exclusive discretion.

- *Partners Program:* means a part of the Plan to which they may be invited to join, as nominated by the Personnel and Compensation Committee and election made by the Company's Board of Directors at its sole discretion, based on individual and corporate assessment methods and performance, potential, career plan, and degree of bond with the Company, certain employees and managers of the Company and/or of the Company's controlled or subsidiary companies.

#### **b. main purposes of the plan**

"Plan 2" has as purpose to: (i) set forth some rules so that Participants can receive Shares without having to pay a price for them; (ii) increase the alignment of interests of Participants in the medium and long term with the shareholders' interests, increasing the Participants' sense of ownership and commitment through the concepts of investment and risk; and (iii) strengthen the Participants' incentives for long-term permanence and stability, within the context of a publicly-held company.

#### **c. how the plan contributes to achieve such purposes**

The granting of Restricted Shares within the scope of the Plan allows Participants to feel encouraged to become shareholders of the Company, based on meritocracy criteria, considering criteria of individual assessment and performance (9Box method), potential and bond with the Company and/or its subsidiaries or controlled companies, besides the Participant's impact on the present and future businesses of the Company. Further details are provided in section 13 (b) iii. As a result, Participants will be encouraged to perform their activities to the best interest of the Company and, accordingly, of its shareholders, generating value for the Company. At the same time, the granting of Restricted Shares within the scope of the Plan is structured in a way to allow for the potential gains arising from the sale of such shares to be achieved, if applicable, in the long term, as determined by the Board of Directors, and if the Participant remains bound to the Company and/or to the Company's controlled or subsidiary companies, this will work to encourage his/her permanence, with the purpose of retaining the senior managers and employees of the Company and its controlled or subsidiary companies.

#### **d. how the plan fits into the issuer's compensation policy**

The focus on long-term variable compensation aims at following market practices and offering attractive packages that, in turn, care about the Company's interests in the most efficient way. The Plan aims at strengthening the focus on such form of compensation, offering the possibility of even more attractive returns, and on the other hand requiring a strong demonstration of commitment by the Participants in creating value for the Company and its shareholders.

#### **e. how the plan aligns the interests of management and the issuer in the short, medium, and long term**

Through the Plan, the Company seeks to stimulate improvement in its management, aiming at gains by commitment to long-term results. Improvement results and appreciation of shares issued by the Company, in turn, maximize the gains of Participants as investors together with the other shareholders of the Company.

In addition, the existence of grace periods makes Participants to commit to the constant appreciation of the Company in the short, medium, and long term.

#### **f. maximum number of shares covered**

The maximum number of Restricted Shares to be granted to Participants under the Plan may not exceed Restricted Shares corresponding to 5.68% (five integers and sixty-eight hundredths percent) of the Company's total capital stock, being included in this limit the grants carried out under the Share-based Incentive and Retention Plan



approved at the General Meeting held on December 15, 2015. Such dilution is in line with the context of the industry in which TOTVS is inserted in Brazil, considering its size, equity structure, historical growth and future potential, financial condition, and historical payment practices for performance.

**g. maximum number of options to be granted**

Not applicable, as the new plan does not include stock options.

**h. conditions for share acquisition**

*Regular Program.* Participants will be entitled to receive the Regular Program Restricted Shares, and the Company will have the obligation to transfer such Regular Program Restricted Shares at the end of the Regular Program grace period, according to the procedures to be provided for in the Agreement, terms and conditions of the Plan.

*Partners Program.* As regards the Partners Program, Participants will be entitled to receive the Restricted Shares of the Partners Program, and the Company will have the obligation to transfer title to such Restricted Shares of the Partners Program at the end of the grace period of the Partner Program, provided, however, that the Participant has an amount corresponding to 12 (twelve) fixed monthly salaries invested in the Company's shares between the date of granting the Restricted Shares (date of execution of the Agreement) and the date of delivery of the Restricted Shares, continuously and uninterruptedly.

A Participant who does not keep such amount equivalent to 12 (twelve) fixed monthly salaries invested in the Company's shares, in a continuous and uninterrupted way, after the date of the effective delivery of the Restricted Shares will not be eligible for future granting of Restricted Shares of the Partners Program of the Company.

For current Participants in the Partners Program and for Participants eligible to the Partners Program in fiscal year 2018, the amount equivalent to 12 (twelve) fixed monthly salaries invested in Company shares may be reached by the corresponding Participant in up to 3 (three) years counted from the date of granting the Restricted Shares of the Partners Program for fiscal year 2018, or based on another criterion as may be set by the Board of Directors.

**i. criteria for setting the acquisition or strike price**

This is not a stock option plan pursuant to Article 168, Paragraph 3 of the Brazilian Corporations Act, but instead, a compensation plan based on Restricted Shares that will be directly delivered to the Participants.

The reference price for calculating the number of Restricted Shares to be delivered under the Plan will correspond to the average closing price of the Company's shares in the thirty (30) trading sessions prior to the date of the effective delivery of Restricted Shares to the Participant, or to such another amount set under criteria determined by the Board of Directors that reflect the market value of the Shares.

**j. criteria for setting the exercise period**

Not applicable. This is not a stock option plan pursuant to Article 168, Paragraph 3 of the Brazilian Corporations Act, but instead a compensation plan based on Restricted Shares that will be directly delivered to the Participants. After the grace period of 3 (three) years from the date of grant of the restricted shares, the Participant will acquire the right to become the holder of the Restricted Shares and the Company will be required to transfer the Restricted Shares to the Participant.

**k. settlement method**

The Plan has, among others, the purpose of granting Restricted Shares to certain Participants, without any financial consideration from them. The Company's obligation to transfer restricted shares under the Plan is: (i) subject to the execution of a Restricted Shares Granting Agreement and Other Covenants with each of the Participants; and (ii) subject to the continuation of the employment relationship and/or statutory bond, as the case may be, of each Participant with the Company until the end of the applicable grace periods.



Accordingly, once the requirements set forth in the Plan are met, the Participant will be entitled to receive such Restricted Shares, and the Company's management will be responsible for taking all necessary measures to formalize the corresponding transfer to him/her.

#### **I. restrictions to transfer shares**

Subject to the continuation of the employment agreement and/or statutory bond, as the case may be, between the Participant and the Company and/or the Company's controlled or subsidiary companies until the end of the applicable Grace Period and the rules contained in each Agreement, the Restricted Shares will be transferred by the Company to the Participant within 30 (thirty) days from the end of the Grace Period, as applicable, as well as under the terms of the Agreement.

#### **m. criteria and events that, when found, will cause suspension, change, or termination of the plan**

The Board of Directors, in the best interest of the Company and its shareholders, may terminate or suspend the Plan, or even review the conditions of the Plan, provided, however, that it does not change the corresponding basic principles, especially the maximum limits for the transfer of Restricted Shares as approved by the General Meeting. The General Meeting may also approve a new incentive plan based on the Company's shares, also to allow the acquisition of shares that exceed the maximum limits approved in the Plan.

The Board of Directors may also provide for particular treatment for special cases and situations during the term of the Plan, provided, however, that the rights already granted to the Participants and the basic principles of the Plan are not affected. Such particular treatment will not constitute a precedent able to be claimed by other Participants.

#### **n. consequences in case the manager leaves the issuer's bodies, about his/her rights provided for in the share-based equity compensation plan**

None of the Plan provisions may be construed as constituting rights to Participants who are employees and/or statutory officer, as the case may be, in addition to those inherent to Restricted Shares, nor will any provision confer rights to the Participants regarding the guarantee to be maintained as an employee and/or statutory officer of the Company and/or with controlled companies or subsidiaries of the Company, or in any way will it interfere with the right of the Company, subject to the legal conditions and those arising from the employment agreement or management contract (in the case of statutory Participants not bound by an employment agreement), to terminate at any time the relationship with the Participant

In the event of any Termination by the Participant on his/her own initiative at any time during the Grace Periods, the Participant will no longer be entitled to the right of receiving restricted shares. Notwithstanding, the Participant will retain his/her title to any restricted shares in the Regular Program and to Restricted Shares in the Partners Program that are already owned by him/her after the lapse of the Grace Period.

In case of Termination of the Participant at the Company's initiative without a cause, the Participant will be entitled to receive half of the Restricted Shares if more than 2 (two) years of the applicable Grace Period have elapsed. The Participant will lose the right to receive all other Restricted Shares in the Regular Program and/or the Partners Program.

In the event of termination for cause of the Participant, the Participant will lose the right to receive all restricted shares that have not been transferred by the time of such termination, regardless of the program applicable to the Participant.

In the event of the Participant's death, disappearance, or permanent disability, all grace periods will be considered elapsed in advance, at the time of the Participant's death, disappearance, or disability.



## DESCRIPTION OF THE NEW STOCK-BASED INCENTIVE PLAN ("NEW PLAN")

### a. The. general plan terms and conditions

This Plan will be administered by the Committee, which will have broad powers to manage and interpret it, having, among others, the necessary powers to:

- (i) approve the Programs provided for in this Plan, as well as their respective regulations;
- (ii) decide on any and all measures related to the management of this Plan, and interpret and apply the general rules now established;
- (iii) select, from among the persons eligible to participate in this Plan, those who will participate in it in a given fiscal year or set the criteria for its determination;
- (iv) determine the number of Restricted Shares to be granted to each Participant, subject to the quantitative limit provided for in Clause 7;
- (v) approve the Agreement to be entered into between the Company and each of the Participants;
- (vi) add the provisions of the Programs as necessary to the administration of this Plan, as well as as well as meeting the interests of the Company, insofar as (a) such changes do not violate the provisions of this Plan or the Programs; or (b) the Participants' rights arising out of, or related to this Plan are not prejudiced; being excluded from this limitation any adaptations that may be made by the Committee as a result of changes implemented in the current legislation;
- (vii) to analyze exceptional cases arising from, or related to, this Plan; and
- (viii) resolve doubts regarding the interpretation of the general rules established in this Plan and deal with omitted cases.

The Committee's resolutions will be binding on the Company and the Participants, when taken in compliance with this Plan, the respective Program or the applicable legislation.

No Participant may be part of the Committee, nor participate in discussions within its scope in relation to this Plan or any Program or Contract, and if a member of the Committee is appointed to participate in any of the Programs, your membership will be subject to prior resignation from the position of member of the Committee.

No Participant may, yet, in any other bodies of the Company's management, participate discussions or vote on any matter in which the Participant has a potential interest in relation to this Plan, the Programs or any Contract, as well as in relation to your individual remuneration in the within the scope of this Plan.

The Plan becomes effective on the date of its approval by the Company's General Meeting, and remains effective until December 14, 2025, the final term of effectiveness of the Share-based Incentive and Retention Plan approved at the General Meeting held on December 15, 2015 and amended on April 5, 2018 and April 18, 2019, which will be superseded by this Plan, as regulated in Clause 16.4 below. The Agreements entered based on the Plan will remain in force until the obligations agreed therein are met, even if for such purpose the corresponding effectiveness extends beyond the final term of the effectiveness set forth for the Plan herein.

Main definitions of the New Plan:

**"Shares"**: means the common shares issued by the Company.

**"Restricted Shares"** means the Shares that will be delivered to the corresponding Participants, under the terms of this Plan and the Programs.

**"CLT"** means the Brazilian Labor Laws (Consolidation of Labor Laws).





**"Committee"** means the Company's Personnel and Compensation Committee, as provided for in its Bylaws, or another Committee that may be specifically created or appointed by the Board of Directors to manage the Plan, the members of which are not eligible Participants under this Plan.

**"Board of Directors"** means the Board of Directors of the Company.

**"Agreement"** means the Share Granting Agreement and Other Covenants approved by the Board of Directors, to be executed by and between the Company and each Participant within the scope of the corresponding Programs.

**"Company"**: means the Brazilian corporation known as TOTVS S.A.

**"Termination"**: means any action or fact that puts an end to the Participant's legal relationship with the Company, except in cases of retirement by the Brazilian National Social Security Institute (INSS) due to permanent disability, death, or court declaration of absence due to the Participant's disappearance. The word 'termination' covers, among other, the Participant's voluntary dismissal, resignation, dismissal, replacement or absence of reelection as statutory officer or director without an employer-employee relationship, and termination of employment agreement for any reason, for cause or not, at the initiative of either party, or by mutual agreement.

**"Participants"** means the employees and management members of the Company and its subsidiaries who are considered eligible under each of the Programs, excluding members of the Committee, who may be appointed annually by the Committee to participate in the Plan.

**"Grace Periods"** means the Grace Period for the "ILP Destaques" Program, the Grace Period for the ILP Performance Program, and the Grace Period for the ILP Master Program considered together.

**"Grace Period for the ILP Destaques Program"** means the grace period of 3 (three) years from the signature of the respective Agreement, after which the Participant acquires the right to become the holder of the Restricted Shares granted under the ILP Destaques Program, and the Company shall transfer the Restricted Shares to the Participant under the terms of the Agreement.

**"Grace Period of the ILP Performance Program"**: means the grace period of 3 (three) years from the execution of the corresponding Agreement, after which the Participant acquires the right to become holder of the Restricted Shares granted under the ILP Performance Program and the Company shall transfer the Restricted Shares to the Participant under the terms of the Agreement, subject to the achievement of the Company's long-term, internal and external performance indicators, as provided for in the corresponding Agreement.

**"Grace Period for the ILP Master Program"** means the grace period of 5 (five) years from the signature of the respective Agreement, after which the Participant acquires the right to become the holder of the Restricted Shares granted under the ILP Master Program, and the Company shall transfer the Restricted Shares to the Participant under the terms of the Agreement.

**"Plan"** means this Share-Based Incentive Plan.

**"Programs"** together means the ILP Destaques Program, the ILP Performance Program, and the ILP Master Program.

**"ILP Destaques Program"** means the program, subject to this Plan, for which the Committee may nominate participants, annually, at its sole discretion, based on an individual performance assessment,





which adopts an objective methodology approved by the Board of Directors, and is informed to the corresponding Participants, which includes criteria such as results achieved, potential, and competencies, certain employees of the Company and/or controlled companies in non-executive positions (below the Executive Manager or other position that may replace him) who are considered, in the above-mentioned assessment, "Highlights of the Year". Although it is possible, there are no rules that require the Participant to be nominated every year to take part in this program.

**"ILP Master Program"** means the program, subject to this Plan, for which the Committee may nominate annually, at its sole discretion, a selected group of individuals considered as key and critical to the Company, holding executive positions, meaning those Participants holding the position of executive manager or higher (or other positions that might replace them) to participate, whether employees or statutory Management members, based on an individual performance assessment, which adopts an objective methodology approved by the Board of Directors, and is informed to the corresponding Participants, including criteria like results, potential and competencies. To be entitled to the restricted shares subject matter of the grant, the Participant ought to meet the "stock ownership guideline", which sets forth the following obligations (i) at the final term of the three-year period after the date of grant, (ii) on the last day of May, August and November after the final term of said three-year period until the date of the actual delivery of the restricted shares by the Company, and (iii) on the date of the actual delivery of the restricted shares by the Company, prove he/she is the holder of the Company shares whose market value corresponds to twelve (12) monthly fixed gross salaries. In case the dates to prove the ownership of the shares referred to in the sentence above coincide with periods forbidding the negotiation of Company shares, the verification will be done on the second business day immediately after the date on which the period of the corresponding prohibition ends. In case the Participant does not meet any of these conditions, he/she will not be entitled to receive the restricted shares at the end of the grace period. The Participant is the sole responsible for ensuring the compliance with these conditions, considering any variations in the value of his/her monthly fixed gross salary, as well as any variations in the market value of the Company's share. Although it is possible, there are no rules that require the Participant to be nominated every year to take part in this program.

**"ILP Performance Program"** means the program, subject to this Plan, for which Company executives are eligible to participate annually, as nominated by the Committee at its sole discretion, meaning those Participants holding the position of executive manager or higher (or other positions that might replace them), whether employees or statutory Management members, based on the achievement of Company's internal and external long-term performance indicators established annually by the Board of Directors and informed to the Participants, and the individual performance assessment, which adopts an objective methodology approved by the Board of Directors, also informed to the respective Participants, including criteria like results, potential and competencies.

**"Change of Control"** means either of the following events: (i) the acquisition of 30% or more of the shares representing the Company's capital stock by one shareholder or group of shareholders representing a common interest; or (ii) a corporate reorganization, including consolidation, acquisition, merger of shares, spin-off followed by the merger of the spin-off portion or any similar transaction resulting in the title of 30% or more of the shares representing the capital stock of the resulting company by one shareholder or group of shareholders representing a common interest.



## **b. Main purposes of the plan**

The Plan aims to: (i) set forth some rules so that Participants can receive Shares without having to pay a price for them; (ii) increase the alignment of interests of Participants in the medium and long term with the shareholders' interests, increasing the Participants' sense of ownership and commitment through the concepts of investment and risk; and (iii) strengthen the Participants' incentives for long-term permanence and stability, within the context of a publicly-held company; and (iv) foster the increase in the Company's long-term performance, as determined through business indicators.

Each program provided for in the plan has its specific purposes: (i) ILP Performance Program - it aims at recognizing participants according to the Company's long-term performance (pay for performance), considering three-year cycles; (ii) ILP Master Program - it aims at retaining executive officers who are critical to the future of TOTVS (pay for stay), over a five-year time horizon; and (iii) the ILP Destaques (Highlights) Program - it aims at recognizing the organization's talents, including those holding non-executive positions, disseminating the culture of ownership.

## **c. The way how the plan contributes to such goals**

The granting of Restricted Shares seeks to allow Participants to be aligned with the Company and its shareholders and feel encouraged to become shareholders of the Company, as a consequence of the meritocracy applied by TOTVS, which considers criteria such as the individual performance, potential, and alignment with the skills and culture of TOTVS. As a result, Participants are encouraged to perform their activities in the best interest of the Company and, consequently, of its shareholders, generating value for TOTVS, due to the achievement of long-term goals, in the case of the ILP Performance Program, as well as the Participants investing in shares issued by the Company, in the case of the ILP Master Program, in order to bind to the Company's growth and, consequently, the appreciation of the shares issued by it, to the Participant's financial gain.

The new ILP plan addresses the main opportunities to improve the share-based compensation model adopted by TOTVS in order to adapt to the best market practices and international standards by: (i) changing the mechanics thereof to define the number of shares through anchoring in market positioning, enabling the financial stability of the plan over time and constant alignment to the market of the compensation package for executives; (ii) defining a specific message per program in line with TOTVS's strategic needs, without risk of overlapping and complexity; (iii) adding a share performance program (ILP Performance), generating a better balance if compared with programs focused on retention (ILP Master and ILP Destaques); and (iv) reviewing the existing metrics in the program, encouraging the future performance of the Company in line with shareholders' expectations, while looking at the individual performance of every Executive measured through the 9Box method.

## **d. How the plan fits into the company's compensation policy**

The Plan provides for the variable compensation mechanism that is in line with the Company's medium- and long-term interests, as it represents a relevant portion of the total compensation that is at risk for the Executives since it is totally bound to individual performance and, in the case of the ILP Performance Program, to the long-term performance of the Company, as shown in the previous topics.

The focus on long-term variable compensation aims at following market practices and offering attractive packages that, in turn, care about the Company's interests in the most efficient way. The Plan proposed hereby aims at strengthening the focus on such form of compensation, offering the possibility of even more attractive returns,



and on the other hand requiring a strong demonstration of commitment by the Participants in creating value for the Company and its shareholders, considering the long-term goals set for the IPL Performance Program.

The Plan is part of the Company's long-term incentive policy, contributing to increase the compensation of the managers and employees of the Company, seeking to align the individual goals of such managers and employees with the Company's goals, since the Beneficiaries have an additional incentive to adopt behaviors that, in the long run, generate added value for the Company. In addition, in the case of the ILP Master Program, by requiring Participants to make their own investment in the Company's shares, it is understood that this strengthens the Participant's bond with the Company, as well as their feeling of being "owners".

The incentive is also based on the possibility of gains arising from the appreciation of the shares issued by the Company. In addition, the granting of shares, by offering the possibility of making gains only through the Beneficiary's long-term commitment, works as an instrument for attracting and retaining the Company's talents.

**e. How the plan aligns the interests of the Beneficiaries and the Company in the short, medium and long term**

The Plan seeks to create a connection between the performance of the Participants and the Company's performance, including in the scope of choosing the group of them - based on the selection criteria of the Committee, measured through criteria such as result, potential, and competencies, which constitutes an incentive for employees and managers to seek both in the short term and in the long term to keep high performance and adopt actions that generate added value for the Company and are reflected in the appreciation of its shares in the market.

The Plan aligns the interests of its beneficiaries with the interests of the Company's shareholders, as it allows managers and employees to become shareholders of the Company, encouraging efficient management, attracting and retaining highly-qualified professionals and generating growth and value for the Company.

The mechanisms that allow the alignment of the Beneficiaries' interests over time include, for example, (i) the grace periods for the effective transfer of Restricted Shares, varying between three and five years depending on the program, without the possibility of a partial transfer of shares over the grace period, (ii) the need to meet performance criteria for eligibility to the Plan Programs, as well as for determining the number of Restricted Shares to be granted to Participants, according to the rules applicable to each one of the Programs, (iii) the achievement of the Company's long-term indicators in the case of the ILP Performance Program by composing relative market metrics and customer-related metrics, and (iv) within the scope of the ILP Master Program, the need to acquire Company's shares, as the Participant's own investment.

**f. Maximum number of stock options to be granted**

Not applicable, considering that no stock options will be granted under the Plan.

**g. Maximum number of shares covered by the plan**

The maximum number of shares to be granted under the Plan may not be, when added to the Restricted Shares granted under the Share-based Incentive Plan approved by shareholders at meetings held on December 15, 2015, April 5, 2018 and April 18, 2019, higher than five point sixty-eight percent (5.68%) of the Company's capital stock which, on this date, totals 32,825,468 share.



## h. Vesting conditions

Vesting conditions will be applicable as per the Program the Participant is eligible to participate in. Nonetheless, it will be the Committee's responsibility, in compliance with each Program's selection criteria, to annually select Participants to each of the Programs.

In order to be granted Restricted Shares under the ILP Master Program, the Participant must prove to be the owner of Company stock whose market value is twelve (12) monthly fixed gross salaries (i) by the end of a three-year period following the granting date, (ii) on the last day of the months of May, August and November after the end of the three-year period until the date the Company's Restricted Shares is actually delivered to the Participant. If the dates set for the Participant to produce evidence that they own the stock referred to in the previous sentence coincide with periods during which trading of Company stock is forbidden, such verification will be made on the second business day immediately after the date when the period during which trading of Restricted Shares is forbidden ends. If the Participant fails to meet any of these conditions, they will not be entitled to receive Restricted Shares at the end of the grace period.

The number of Restricted Shares to be transferred to Participants under the ILP Performance Program after the three(3)-year grace period will range from 70% to 130% according to whether the Participant meets long-term performance goals set forth under the related agreements. The focus will be on striking a proper balance between management impact and shareholder return. For the first grant under the program, scheduled for 2022, the Company will measure the Participants' performance by combining the following indicators:

*Total Shareholder Return* ("TSR") assessed by comparison with the TSR reported by companies that are included in the IBRx-50 index. This index is the price-weighted average of 50 assets that are the most traded and representative in the Brazilian stock market. TOTVS stocks were included in this index in 2021.

*Evolution of Earnings per Share* ("EPR") – a metric that measures the ratio between the Company's net profit from continuing operations and the number of shares that make up the Company's stock capital.

Client satisfaction, measured through the NPS (Net Promoter Score) indicator, whose purpose is to measure the degree of loyalty of the clients of companies that operate in any segment, causing an impact on client experience. This indicator is broadly used by most companies due to its simplicity, reliability and flexibility.

The performance indicators proposed for 2022 are strictly related to the company's business and the specific segment in which it operates. They are particularly applicable to TOTVS's main value drivers. These three metrics together allow a closer monitoring of the company's performance.

Each of the Participants will enter into a Share Granting Agreement and other Covenants with the Company, as approved by the Committee and under their related Programs. The Share Granting Agreement and other Covenants sets forth the grant of the Restricted Shares and the terms and conditions of the grant ("Agreement").

The Company's obligation to transfer Restricted Shares to the Participant under the Plan depends (i) on the Company's entering into an Agreement with each of the Participants, (ii) on the continuity of each Participant's employment relationship with the Company and/listing in the Company's Bylaws as a member of the management team until the end of the applicable grace period, as detailed below; (iii) on compliance with performance goals set for Participants under the ILP Performance Program, as provided for in the related Agreements; (iv) on compliance with the stock ownership guideline established under the ILP Master Program and (v) on other conditions that may be set forth under the related Programs and Agreements.

The ILP Destaques Program will be subject to a three (3)-year grace period as from the signature of the related Agreement. After that period, the Participant is entitled to become the owner of Restricted Shares granted under the ILP Destaques Program.



The ILP Performance Program will be subject to a three (3)-year grace period as from the signature of the related Agreement. After that period, the Participant is entitled to become the owner of Restricted Shares granted under the ILP Performance Program.

The ILP Master Program will be subject to a five (5)-year grace period as from the signature of the related Agreement. After that period, the Participant is entitled to become the owner of Restricted Shares granted under the ILP Master Program.

In compliance with the maximum number of Restricted Shares that may be granted under the Plan, and considering the number of Restricted Shares to be delivered to Participants under the Programs, the Committee may, at its sole discretion, in order to attract and retain individuals that are key to the Company and/or its subsidiaries, make use of a possible remaining balance of Restricted Shares under the Plan to grant additional Restricted Shares to Participants, at a limited number. These additional grants will be subject to possible grace periods, Participant termination rules and other specific terms and conditions freely set by the Committee, as set forth under the related Agreements. The grace period to be set by the Committee to that end will be of three (3) years at least, as from the date the Restricted Share is granted.

#### **i. Detailed criteria for setting the exercise price**

The purpose of the Plan, among others, is to give a long-term incentive to Participants by granting them Restricted Share issued by the Company and not making them pay the exercise price for the stock. Therefore, it is not about a stock purchase option pursuant to article 168, paragraph three of Act No. 6,404/76, but compensation consisting of stock granted to Participants.

However, for the purposes of the Plan, the reference price per Restricted Share will be the average closing price of the Company's stock reported over the last sixty (60) trading sessions prior to the granting date or another amount set according to the Committee's criterion that reflects the market value of Restricted Shares.

#### **j. Criteria for setting the exercise deadline**

The transfer of Restricted Share will be subject to grace period of 3-5 years, as detailed in item "d" above. Participants will be entitled to receive the total Restricted Shares if they maintain a relationship with the Company until the end of the applicable grace period, according to the specific rules set forth under the Plan, the Programs and the Agreements, particularly when the Participant leaves the Company (i) at their own initiative or is terminated for cause, in which case the Participant will no longer be entitled to receive Restricted Shares; (ii) at the Company's initiative, without cause or by mutual agreement, in which case the Participant will be entitled to receive a portion of the Restricted Shares; (iii) upon their compulsory retirement; or (iv) upon their death, disappearance or permanent disability, in which case the Participant will be entitled to receive the total Restricted Shares.

#### **k. Manner of liquidating options**

As mentioned in item "e" above, this is a long-term incentive consisting of granting stock issued by the Company to Participants, who do not give any financial consideration in return. Therefore, once the conditions set forth under the Plan, the Programs and the related Agreement are met, the Participant will be entitled to receive Restricted Shares within sixty (60) days from the end of the grace period. It will be responsibility of the Company's Management to take all measures required to formalize the transfer.

At its discretion, the Company may pay in cash the amount corresponding to the value of Restricted Shares the Participant is entitled to instead of delivering the Restricted Shares to the Participant. If the Company chooses to make a cash payment, the price per share will be the average closing price of the Company's stock reported over the last sixty (60) trading sessions prior to the granting date or another amount set according to the Committee's criterion that reflects the market value of the Stock.





## **I. Restrictions on Share transfers**

After the Restricted Shares is transferred to Participants, they may sell, transfer or otherwise dispose of it without any restriction

### **m. Criteria and events that, when reported, will lead to the suspension, change or termination of the plan**

To serve the interests of the Company and its shareholders, the Committee may terminate or suspend the Plan, or else review the Plan's conditions, provided that the Committee does not change the Plan's basic principles, particularly the caps for the transfer of Restricted Shares approved at the shareholders' meeting.

The Committee may also give a certain treatment to special cases and situations while the Plan remains in effect. That includes deciding on the grant of additional Restricted Shares, provided that the rights already vested in Participants are not affected, and in compliance with the limit on the total number of Restricted Shares that may be granted under the Plan.

Although it does not entail the termination, suspension or change of the Plan, in the case of a Change of Control over the Company (as defined under the Plan), if the Participant is terminated from the Company within twelve (12) months after the event, the Participant will be entitled to be fully paid the amount corresponding to the value of the Restricted Shares, in compliance with existing performance indicators disclosed to the Participant upon the occurrence of the event. The provisions above will be applicable after the twelve(12)-month period.

If the Company is dissolved, transformed, merged, taken over, spun off or reorganized in such a manner that the Company is not the remaining company or, if it is the remaining company, ceases to have shares traded at the stock exchange, the Agreements in effect may, at the Committee's criterion: (i) be transferred to the succeeding company; or (ii) have its Grace Periods ended earlier, as applicable.

### **n. Termination**

In case of Termination of the Participant at his/her own initiative or for cause at any moment during the Grace Periods, as applicable, the Participant will be no longer entitled to receive Restricted Shares. Notwithstanding, the Participant will preserve the right of ownership on any Restricted Shares belonging to him/her upon the Termination, due to the elapse of the applicable Grace Periods.

In compliance with the deadline set forth in Clause 9.1 above, in case of Termination of the Participant at the Company's initiative, without cause, or upon mutual agreement, the Participant will be entitled to receive proportionally the Restricted Shares subject matter of the granting, in accordance with the time already elapsed of the applicable Grace Periods calculated until the actual date of Termination. As for the ILP Performance Program, the shares will be transferred only at the end of the respective Grace Period and subject to the determination of the performance goals set forth in the Agreement. For the purposes of proportionality, a full working month is considered as the one with at least 15 working days.

In compliance with the deadline set forth in Clause 9.1 above, in case of compulsory retirement, the Participant will be entitled to receive in full the Restricted Shares that have been granted to him/her, with the early expiration of the Grace Periods then in force, except in the case of the ILP Performance Program, where the payment will become due and payable only at the end of the respective Grace Period and subject to the determination of the performance goals set forth in the Agreement.

In the event of Change of Control, if the Participant is terminated involuntarily from the Company, under the terms of Clause 11.2 above, within twelve (12) months from said event, he/she will be entitled to receive the Restricted Shares in full, in accordance with the existing performance indicators and informed to the Participant upon the event in question. The provisions above apply after said twelve (12) months.



The other cases of Termination not provided for above will be provided for by the Committee.

In the event of death, disappearance or permanent disability of the Participant, all the Grace Periods will be deemed as expired earlier, upon the death, disappearance or declaration of disability of the Participant by the Brazilian National Social Security Institute. This will make him/her or his/her respective successors, as applicable, entitled to receive the Restricted Shares in full within one hundred and eighty (180) days from the event in question. In case of the ILP Performance Program, the determination of the performance indicators will be disregarded, and the number of Restricted Shares set forth in the Agreement will be transferred.





### 13.5 Share-based compensation accounted for on the financial result of the last 3 fiscal years and also the compensation planned for the current fiscal year to the Board of Directors and the Board of Executive Officers

The tables below show information on the share-based compensation of the Board of Directors and the Company's Statutory Board of Executive Officers: (i) recognized in the results for the fiscal years ended on December 31, 2020, December 31, 2019 and December 31, 2018, considering the number of members of each body to which share-based compensation was effectively attributed; and (ii) expected for the current fiscal year.

As informed in section 13.4, on April 27, 2020 the EGM approved the split-up of all shares issued by the Company, in the proportion of one common share to three shares of the same type, without changing the capital stock; the amounts mentioned herein already reflect such effect for all grants and concessions, for comparison purposes.

#### TABLES RELATING TO "PLAN 1":

##### Share-based compensation - fiscal year ended on Dec. 31, 2018:

	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	9.00	9.50
<b>Number of paid members</b>	-	9.50
Weighted average strike price:		
<i>(a) of the outstanding options at the beginning of the fiscal year</i>	-	12.58
<i>(b) of options lost during the fiscal year</i>	-	-
<i>(c) of options exercised during the fiscal year</i>	-	11.17
<i>(d) of options expired during the fiscal year</i>	-	13.69
Potential dilution in case of exercise of all options granted	-	0.8%

##### Share-based compensation - fiscal year ended on Dec. 31, 2019:

	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	8.75	6.50
<b>Number of paid members</b>	-	5.00
Weighted average strike price:		
<i>(a) of the outstanding options at the beginning of the fiscal year</i>	-	11.28
<i>(b) of options lost during the fiscal year</i>	-	-
<i>(c) of options exercised during the fiscal year</i>	-	10.14
<i>(d) of options expired during the fiscal year</i>	-	11.02
Potential dilution in case of exercise of all options granted	-	0.5%



**Share-based compensation - fiscal year ended on Dec. 31, 2020:**

	<b>Board of Directors</b>	<b>Statutory Board of Executive Officers</b>
<b>Total number of members</b>	7.67	7.00
<b>Number of paid members</b>	-	5.00
Weighted average strike price:		
(a) of the outstanding options at the beginning of the fiscal year	-	11.87
(b) of options lost during the fiscal year	-	-
(c) of options exercised during the fiscal year	-	11.87
(d) of options expired during the fiscal year	-	-
Potential dilution in case of exercise of all options granted	-	0.6%

For the current fiscal year (2021), there are no more options open under "Plan 1", as explained in section 13.4.

Information on each grant recognized in the financial result of the last 3 fiscal years and the current fiscal year:

**TABLES REGARDING "PLAN 2":**

**2018**

<b>Granting (21) of restricted shares</b>	<b>Board of Directors</b>	<b>Statutory Board of Executive Officers</b>
<b>Total number of members</b>	9.00	9.50
<b>Number of paid members</b>	-	9.50
Date of granting	-	May 4, 2018
Number of shares granted	-	316,388
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	June 4, 2021
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	9.84
Potential dilution in case of transfer of all shares granted	-	0.06%

<b>Granting (22) of restricted shares</b>	<b>Board of Directors</b>	<b>Statutory Board of Executive Officers</b>
<b>Total number of members</b>	9.00	9.50
<b>Number of paid members</b>	-	9.00
Date of granting	-	May 4, 2018
Number of shares granted	-	892,125
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	June 4, 2021
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	9.84
Potential dilution in case of transfer of all shares granted	-	0.15%



Granting (23) of restricted shares	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	9.00	9.50
<b>Number of paid members</b>	-	1.00
Date of granting	-	Nov. 26, 2018
Number of shares granted	-	73,035
Grace period for transfer of shares	-	18 Months
Maximum term for transfer of shares	-	06/26/2020
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	8.31
Potential dilution in case of transfer of all shares granted	-	0.01%

Granting (24) of restricted shares	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	9.00	9.50
<b>Number of paid members</b>	-	1.00
Date of granting	-	Nov. 26, 2018
Number of shares granted	-	73,035
Grace period for transfer of shares	-	6 months
Maximum term for transfer of shares	-	06/26/2019
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	8.40
Potential dilution in case of transfer of all shares granted	-	0.01%



2019

Granting (25) of restricted shares	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	8.75	6.50
<b>Number of paid members</b>	1.00	6.00
Date of granting	Apr. 26, 2019	Apr. 26, 2019
Number of shares granted	270,000	567,375
Grace period for transfer of shares	3 years	3 years
Maximum term for transfer of shares	05/26/2022	05/26/2022
Restricted term for the transfer of shares	n/a	n/a
Fair value of shares on the granting date *	12.83	12.83
Potential dilution in case of transfer of all shares granted	0.05%	0.1%

Granting (26) of restricted shares	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	8.75	6.50
<b>Number of paid members</b>	-	6.00
Date of granting	-	Apr. 26, 2019
Number of shares granted	-	280,875
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	05/26/2022
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	12.83
Potential dilution in case of transfer of all shares granted	-	0.05%



2020

Granting (27) of restricted shares	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	7.67	7.00
<b>Number of paid members</b>	1.00	7.00
Date of granting	April 27, 2020	April 27, 2020
Number of shares granted	270,000	827,625
Grace period for transfer of shares	3 years	3 years
Maximum term for transfer of shares	May 27, 2023	May 27, 2023
Restricted term for the transfer of shares	n/a	n/a
Fair value of shares on the granting date *	16.41	16.41
Potential dilution in case of transfer of all shares granted	0.05%	0.14%

Granting (28) of restricted shares	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	7.67	7.00
<b>Number of paid members</b>	-	7.00
Date of granting	-	April 27, 2020
Number of shares granted	-	407,625
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	May 27, 2023
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	16.41
Potential dilution in case of transfer of all shares granted	-	0.07%



2021 (estimates)

Granting (29) of restricted shares	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	7.00	7.50
<b>Number of paid members</b>	1.00	7.00
Date of granting	May 5, 2021	May 5, 2021
Number of shares granted	270,000	387,900
Grace period for transfer of shares	3 years	3 years
Maximum term for transfer of shares	June 5, 2024	June 5, 2024
Restricted term for the transfer of shares	n/a	n/a
Fair value of shares on the granting date *	To be determined	To be determined
Potential dilution in case of transfer of all shares granted	0.05%	0.07%

Granting (30) of restricted shares	Board of Directors	Statutory Board of Executive Officers
<b>Total number of members</b>	7.00	7.50
<b>Number of paid members</b>	-	7.00
Date of granting	-	May 5, 2021
Number of shares granted	-	787,050
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	June 5, 2024
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	To be determined
Potential dilution in case of transfer of all shares granted	-	0.13%

\* The fair value of the shares is determined based on the market share value on the grant date, less the expected dividend for the grace period, since the beneficiaries are not entitled to receive it.



### 13.6. Outstanding shares of the board of directors and statutory board of executive officers at the end of the previous fiscal year

The table below presents information on the outstanding shares of the Company's Board of Directors and Statutory Board of Executive Officers at the end of the previous fiscal year.

**TABLE REGARDING "PLAN 2"**

Body name	Statutory Board of Executive Officers	Statutory Board of Executive Officers	Board of Directors	Statutory Board of Executive Officers	Statutory Board of Executive Officers	Board of Directors	Statutory Board of Executive Officers	Statutory Board of Executive Officers
Granting	21st grant	22nd grant	25th grant	25th grant	26th grant	27th grant	27th grant	28th grant
<b>Number of Members</b>	9.50	9.50	8.75	6.50	6.50	7.67	7.00	7.00
<b>Number of paid members</b>	6.00	6.00	1.00	6.00	6.00	1.00	7.00	7.00
<b>Date of granting</b>	May 4, 2018	May 4, 2018	Apr. 26, 2019	Apr. 26, 2019	Apr. 26, 2019	April 27, 2020	April 27, 2020	April 27, 2020
<b>Outstanding shares</b>								
<i>Quantity</i>	212,439	712,125	270,000	567,375	280,875	270,000	827,625	407,625
<i>Grace period of shares</i>	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
<i>Maximum term for transfer of shares</i>	June 4, 2021	June 4, 2021	05/26/2022	05/26/2022	05/26/2022	May 27, 2023	May 27, 2023	May 27, 2023
<i>Restricted term for the transfer of shares</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Reference price of restricted shares</i>	10.08	10.08	13.40	13.40	13.40	17.00	17.00	17.00
<i>Fair value of shares at the last day of the fiscal year</i>	9.84	9.84	12.83	12.83	12.83	16.41	16.41	16.41
<i>Fair value of total shares at the last day of the fiscal year</i>	2,090,399.76	7,007,310.00	3,463,200.00	7,277,530.00	3,602,690.00	4,430,700.00	13,581,326.25	6,689,126.25

As informed in section 13.4, on April 27, 2020 the EGM approved the split-up of all shares issued by the Company, in the proportion of one common share to three shares of the same type, without changing the capital stock; the amounts mentioned hereinabove already reflect such effect for all grants.





### 13.7 Options exercised and shares delivered connected to the share-based compensation plan of the Board of Directors and Statutory Board of Executive Officers in the past 3 fiscal years

The tables below show information on the options exercised and shares delivered concerning the share-based compensation of the Board of Directors and the Company's Statutory Board of Executive Officers, in the fiscal years ended on December 31, 2020, December 31, 2019 and December 31 2018.

The options exercised refer to "Plan 1" and the shares delivered refer to "Plan 2".

Exercised options and delivered shares - fiscal year ended Dec. 31, 2020		
	Board of Directors	Statutory Board of Executive Officers
<b>Number of Members</b>	7.67	7.00
<b>Number of paid members</b>	-	6.00
<b>Exercised Options</b>		
Number of Shares	-	91,785
Weighted average strike price	-	11.87
Difference between the exercise amount and the market value of shares connected to options exercised	-	8.41
<b>Shares delivered</b>		
Number of shares delivered	-	777,799
Weighted average acquisition price	-	13.11
Difference between the acquisition price and the market value of shares acquired	-	11.48



Exercised options and delivered shares - fiscal year ended Dec. 31, 2019		
	Board of Directors	Statutory Board of Executive Officers
<b>Number of Members</b>	8.75	6.50
<b>Number of paid members</b>	-	6.5
<b>Exercised Options</b>		
Number of Shares	-	192,213
Weighted average strike price	-	10.14
Difference between the exercise amount and the market value of shares connected to options exercised	-	3.21
<b>Shares delivered</b>		
Number of shares delivered	-	424,296
Weighted average acquisition price	-	10.68
Difference between the acquisition price and the market value of shares acquired	-	1.91

Exercised options and delivered shares - fiscal year ended Dec. 31, 2018		
	Board of Directors	Statutory Board of Executive Officers
<b>Number of Members</b>	9.00	9.50
<b>Number of paid members</b>	-	7.00
<b>Exercised Options</b>		
Number of Shares	-	56,919
Weighted average strike price	-	11.17
Difference between the exercise amount and the market value of shares connected to options exercised	-	0.28
<b>Shares delivered</b>		
Number of shares delivered	-	70,278
Weighted average acquisition price	-	10.68
Difference between the acquisition price and the market value of shares acquired	-	(1.97)

As informed in section 13.4, on April 27, 2020 the EGM approved the split-up of all shares issued by the Company, in the proportion of one common share to three shares of the same type, without changing the capital stock; the amounts mentioned hereinabove already reflect such effect for all grants, for comparison purposes.



### 13.8 Summary description of the information required to understand the data disclosed in sections 13.5 to 13.7, as well as the explanation of the method of pricing the shares and options:

#### a. pricing model

The price of the options issued under Plan 1 was determined using the "Black & Scholes" method, which sets the fair value considering the expected dividends, the expected volatility, the risk-free interest rate, and the maturity period.

The fair value of the Restricted Shares issued under Plan 2 is determined based on the market share value on the grant date, less the expected dividend for the grace period, since the beneficiaries are not entitled to receive it. According to CPC-10, such amount is deferred and amortized during the grace period.

#### b. data and assumptions used in the pricing model, including the weighted average price of stocks, exercise price, expected volatility, life term of the option, expected dividends, and the risk-free interest rate

The data and assumptions used in the pricing model are shown in the table below. It is worth mentioning that the 2015 grant is connected to the granting of stock options, while the grants from 2018 on are connected to the granting of restricted shares:

**TABLE FOR "PLAN 1"**

	12th grant	14th grant
Date	Feb. 20, 2015	Apr. 2, 2015
<b>Grant price</b>	11.87	11.87
<b>Expectation of dividends</b>	2.60%	2.60%
<b>Expectation of volatility</b>	29.61%	29.61%
<b>Risk-free interest rate</b>	12.75%	13.00%
<b>Maturity term</b>	3 years	3 years
<b>Fair value</b>	R\$3.79	R\$4.04

**TABLE FOR "PLAN 2"**

Government body name	Statutory Board of Executive Officers	Statutory Board of Executive Officers	Board of Directors	Statutory Board of Executive Officers	Statutory Board of Executive Officers	Board of Directors	Statutory Board of Executive Officers	Statutory Board of Executive Officers
<b>Lending</b>	21st grant	22nd grant	25th grant	25th grant	26th grant	27th grant	27th grant	28th grant
<b>Date</b>	May 4, 2018	May 4, 2018	Apr. 26, 2019	Apr. 26, 2019	Apr. 26, 2019	April 27, 2020	Apr. 26, 2019	April 27, 2020
<b>Reference price of restricted shares</b>	10.08	10.08	13.40	13.40	13.40	17.00	17.00	17.00
<b>Expectation of dividends</b>	1.80%	1.80%	1.44%	1.44%	1.44%	1.17%	1.17%	1.17%
<b>Expectation of volatility</b>	NA	NA	NA	NA	NA	NA	NA	NA
<b>Risk-free interest rate</b>	NA	NA	NA	NA	NA	NA	NA	NA
<b>Grace period of shares</b>	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
<b>Fair value</b>	R\$9.84	R\$9.84	R\$12.83	R\$12.83	R\$12.83	16.41	16.41	16.41



**c. method used and assumptions taken to incorporate expected effects of early exercise**

The options granted have the *vesting period* rule of 3 years from the grant date, that is, the option can be exercised only within 3 to 5 years counted from the grant. Thus, the assumption used to incorporate the expected effects of early exercise of such options was to recognize the options on the financial result over 3 years. For restricted shares, the vesting period rule is also of 3 years, such date being counted from the delivery of said shares.

**d. way of determining the expected volatility**

The annualized volatility was determined by the standard deviation of the weekly price changes of the Company's stock traded on B3, adjusted by the distribution of dividends, over the three-year period up to the date of each grant.

**e. whether any other characteristic of the option was incorporated or not into the measurement of its fair value**

No items other than those described in section 13.8 (a) were considered.



**13.9 The number of shares or membership interests directly or indirectly held in Brazil or abroad, and other securities convertible into shares or membership interests issued by the issuer, its direct or indirect controlling companies, companies controlled by it or under common control, by members of the Board of Directors, the Statutory Board of Executive Officers, or the Audit Committee, grouped by department or body**

The table below shows the number of TOTVS shares held by members of the Board of Directors and Statutory Board of Executive Officers at the end of the previous fiscal year.

Government body name	Corporation that issued the securities	Dec. 31, 2020
Board of Directors	TOTVS S.A.	86,819.80
Statutory Board of Executive Officers	TOTVS S.A.	707,218
Fiscal Council* (Sup. Board)	N/A	N/A

The Company does not have an installed Fiscal Council (Supervisory Board).

The Chairman of the Board of Directors and the Statutory Board of Executive Officers still have 3,548,064 restricted shares in the grace period of "Plan 2" for share-based compensation, as shown in section 13.6.



### 13.10 - Information on pension plans for members of the board of directors and statutory executive officers

In addition to the contribution to social security (INSS), officers can voluntarily adhere to the Company's private pension plan. The basic contribution consists of monthly payments with their amount limited to the range between 2% to 5% of the monthly fixed compensation (base salary) of the officer and has a counterpart (deposit of equal amount) from the Company. In addition, voluntary monthly or sporadic contributions can be made, however, without the Company's counterpart. To be eligible to redeem the amount deposited by the Company, the officer must contribute to the program for at least 3 years, and the percentage to be redeemed will vary as shown in the table below:

Contribution time to the program	Percentage of the balance of the company's normal contributions
Up to 2 years and 11 months	-
From 3 years to 3 years and 11 months	30%
From 4 years to 4 years and 11 months	40%
From 5 years to 5 years and 11 months	50%
From 6 years to 6 years and 11 months	60%
From 7 years to 7 years and 11 months	70%
From 8 years to 8 years and 11 months	80%
From 9 years to 9 years and 11 months	90%
From 10 years on	100%

Please see below is a table with information on the pension plans in force granted to members of the board of directors and statutory executive officers:

	Board of Directors	Statutory Board of Executive Officers
Number of Members	8.75	6.50
Number of paid members	8.75	6.50
Plan name	N/A	TOTVS Private Pension Plan*
Number of managers who are eligible to retire	N/A	No executive is currently in progress of retiring
Conditions for early retirement	N/A	Early retirement is not possible
Updated accumulated amount of accrued contributions up to the end of the last fiscal year, discounting the portion related to contributions made directly by the managers	N/A	R\$1,655,826.70
Total accrued amount of contributions made during the last fiscal year, discounting the portion relating to contributions made directly by the managers	N/A	R\$161,884.25
Possibility of early redemption and conditions	N/A	The executive is entitled to redeem private pension contributions, however, such option will cancel the plan and the executive will not be allowed to return to the plan. The executive will be eligible to the company's contribution, according to the contribution time table

\*The private pension plan does not include members of the Board of Directors



### 13.11 Maximum, Minimum and Average Individual Compensation of the Board of Directors, the Statutory Board of Executive Officers, and the Fiscal Council (Supervisory Board)

The table below shows information on the maximum, minimum and average individual compensation of the Board of Directors and the Statutory Board of Executive Officers, considering the previous three fiscal years.

#### ANNUAL AMOUNTS

	Statutory Board of Executive Officers			Board of Directors		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
<b>Number of Members</b>	7.00	6.50	9.50	7.67	8.75	9.00
<b>Number of paid members</b>	7.00	6.50	9.50	7.67	8.75	8.17
<b>Highest compensation amount (in Reals)</b>	4,888,046.07	3,495,449.93	3,557,103.36	2,878,838.40	2,520,790.65	443,564.95
<b>Lowest compensation amount (in Reals)</b>	1,859,255.18	1,974,477.06	1,328,892.00	407,616.00	387,581.55	353,856.95
<b>Average compensation amount (in Reals)</b>	3,938,441.68	3,371,705.42	1,973,927.09	909,330.05	644,490.76	399,875.85

The Company does not have an installed Fiscal Council (Supervisory Board).





**13.12 Statement of contractual arrangements, insurance policies or other instruments structuring mechanisms for compensation or indemnity for Management members in the event of dismissal or retirement, pointing out the financial consequences to the issuer**

If the Company terminates the agreement with no cause within 12 (twelve) months after the date of a Material Corporate Change, the officer will be entitled to receive an indemnity equivalent to 18 (eighteen) monthly compensations in force at the time of termination, as well as will be entitled to receive all the amounts related to the Target Bonus Program.

The Company and its subsidiaries keep in full force a civil liability insurance policy for members of the Management - D&O world class, which provides for the payment or reimbursement of expenses borne by directors and officers, resulting from the compensation for damages caused to third parties or to the Company. The current policy number 087372020010310000728 (insurance policy registered with SUSEP under number 15414.901229/2017-25), executed with the insurance company AIG SEGUROS BRASIL SA, is effective and in force until July 1st, 2021 and has a maximum indemnity limit of R\$100 million. Despite being covered by the current D&O policy contracted in Brazil, the directors and officers of operations in Mexico, Argentina and the USA are also covered by a local policy issued in each of those countries, with a coverage value of USD1.0 million, aiming at speeding up the reimbursement of expenses arising from possible losses.

**13.13 In relation to the last 3 fiscal years, below is the percentage of the total compensation of each corporate department recognized in the issuer's financial results regarding to members of the board of directors, statutory board of executive officers, or fiscal council that are parties related to the direct or indirect controlling companies, as set forth by the applicable accounting standards**

Not applicable. There is no direct or indirect controller in the Company.

**13.14 As regards the last 3 fiscal years, provide below the amounts recognized in the issuer's financial result as compensation of members of the board of directors, statutory board of executive officers or fiscal council, grouped by corporate department, for any reason other than the position they hold, such as commissions and consulting or advisory services rendered**

Mr. Guilherme Stocco Filho, independent member of the Board of Directors elected on April 27, 2020 received the total amount of R\$28,938 between the months of January and May 2018 for the provision of advisory services to the Strategy and Technology Committee ("CET"), acting as an external member of this Committee, as recommended by the Board of Directors and election held on April 27, 2017.

There are no other directors or officers in the Company who receive compensation for any reason other than the position they hold.

**13.15 In the past 3 fiscal years, below are the amounts recognized in the financial result of controllers, direct or indirect, of companies under common control and subsidiaries of the issuer as compensation to the members of the Board of Directors, the Executive Board of Executive Officers, or fiscal council of the issuer, grouped by corporate department, specifying why such amounts were allocated to such individuals**

There are no directors or officers in the Company that receive compensation through direct or indirect controllers, companies under common control, or subsidiaries of the issuer.



### 13.16 - Other relevant information

For comparative purposes, we first present the details of the global annual remuneration for the fiscal year 2020 and the Compensation Proposal for the fiscal year 2021:

#### **I - FISCAL YEAR 2020**

At the Annual General Meeting held on April 27, 2020, a total compensation amount of up to R\$42,347,414.09 (forty-two million, three hundred and forty-seven thousand, four hundred and fourteen Reals and nine cents) was approved for the fiscal year 2020, encompassing Fixed, Variable, and Share-based Compensation. Out of the total amount approved, R\$34,540,622.08 (thirty-four million, five hundred and forty thousand, six hundred and twenty-two Reals and eight cents) were actually used for that purpose.

As stated in detail in the tables and graphs below, the actual use of an amount 18.44% (eighteen, point forty-four percent) below the limit approved was possible due to the following factors:

- (i) Book value referring to Share-based Compensation, as a result of the granting of restricted shares in the 2020 grants with a price lower than that provided for in the Compensation Proposal due to the update of the average of the last 30 (thirty) sessions that preceded the preparation of the proposal and the effective grant date - the proposal was of R\$20.60 (twenty REals and sixty cents) and the grants were made with the reference price of R\$17 (seventeen Reals);
- (ii) The new member of the Board of Executive Officers foreseen in the proposal for the second half of the year was not hired;
- (iii) Bonus remained below the estimated number in the proposal due to the average level of achievement of goals by the Board of Executive Officers;
- (iv) Adjustments in the contracts of benefits, such as medical and dental assistance, lower than the ones originally estimated; and
- (v) Individual adhesion of the Board of Executive Officers to the post-employment benefit package regarding the private pension plan at a level lower than that provided for in the proposal.



### PROPOSED AND PERFORMED NUMBERS IN 2020

	Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.67	7.50	15.17	7.67	7.00	14.67
<b>Fixed annual compensation (FC)</b>						
Salary or management fees	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
<b>Total FC</b>	<b>4,892,761.84</b>	<b>9,320,916.10</b>	<b>14,213,677.94</b>	<b>4,832,530.35</b>	<b>8,710,640.76</b>	<b>13,543,171.11</b>
<b>Variable compensation (VC)</b>						
Bonus	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
<b>Total Fix.C. + Var.C.</b>	<b>4,892,761.84</b>	<b>14,404,651.53</b>	<b>19,297,413.37</b>	<b>4,832,530.35</b>	<b>12,289,714.90</b>	<b>17,122,245.25</b>
<b>Other</b>						
Post-employment benefits	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
<b>Total FC + VC + Other</b>	<b>0.00</b>	<b>5,540,710.84</b>	<b>5,540,710.84</b>	<b>0.00</b>	<b>3,833,153.65</b>	<b>3,833,153.65</b>
<b>Total FC + VC + Other</b>	<b>4,892,761.84</b>	<b>14,861,626.94</b>	<b>19,754,388.78</b>	<b>4,832,530.35</b>	<b>12,543,794.41</b>	<b>17,376,324.76</b>
<b>Share-based compensation<sup>1</sup></b>						
Accounting recognition - granting in the current year	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
Accounting recognition - granting in previous years	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
<b>Total share-based compensation</b>	<b>2,394,800.00</b>	<b>20,198,225.31</b>	<b>22,593,025.31</b>	<b>2,139,000.00</b>	<b>15,025,297.35</b>	<b>17,164,297.35</b>
<b>General Total</b>	<b>7,287,561.84</b>	<b>35,059,852.25</b>	<b>42,347,414.09</b>	<b>6,971,530.35</b>	<b>27,569,091.76</b>	<b>34,540,622.11</b>

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).  
 Note: the actual amounts in 2020 of the accounting recognition of previous years of share-based compensation refer to R\$1,492,947.59 (one million, four hundred and ninety-two thousand, nine hundred and forty-seven Reals and fifty-nine cents), of the 2016 grants, R\$1,889,684.21 (one million, eight hundred and eighty-nine thousand, six hundred and eighty-four Reals and twenty-one cents) of the 2017 grants, R\$3,511,380.43 (three million, five hundred and eleven thousand, three hundred and eighty reais and forty-three cents) of the 2018 grants and R\$4,781,140.12 (four million, seven hundred and eighty-one thousand, one hundred and forty Reals and twelve cents) of the 2019 grants.



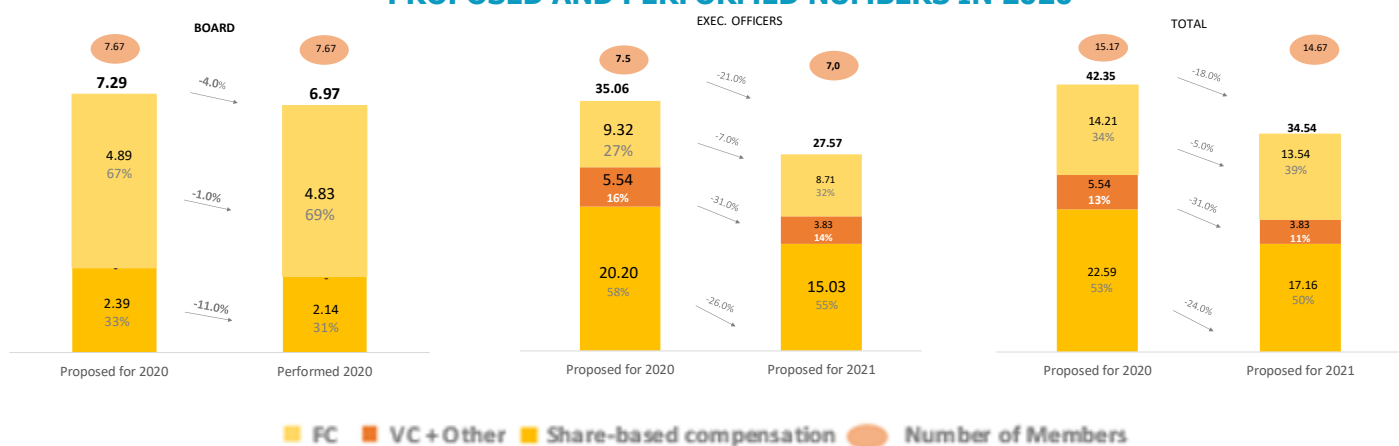
## VARIATION BETWEEN PROPOSED AND PERFORMED NUMBERS IN 2020

Performed 2020 vs. Proposed 2020

	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	0.00	-0.50	-0.50	0.00%	-6.67%	-3.30%
<b>Fixed annual compensation (FC)</b>						
Salary or management fees	0.00	-431,050.11	-431,050.11	0.00%	-5.45%	-3.80%
Direct and indirect benefits	-26,247.49	-179,225.23	-205,472.72	-6.64%	-12.65%	-11.33%
Compensation for participation in Committees	-33,984.00	0.00	-33,984.00	-3.25%	-	-3.25%
<b>Total FC</b>	<b>-60,231.49</b>	<b>-610,275.34</b>	<b>-670,506.83</b>	<b>-1.23%</b>	<b>-6.55%</b>	<b>-4.72%</b>
<b>Variable compensation (VC)</b>						
Bonus	0.00	-1,504,661.29	-1,504,661.29	-	-29.60%	-29.60%
<b>Total Fix.C. + Var.C.</b>	<b>-60,231.49</b>	<b>-2,114,936.62</b>	<b>-2,175,168.12</b>	<b>-1.23%</b>	<b>-14.68%</b>	<b>-11.27%</b>
<b>Other</b>						
Post-employment benefits	0.00	-202,895.90	-202,895.90	-	-55.62%	-55.62%
Benefits for termination of tenure	0.00	0.00	0.00	-	0.00%	0.00%
<b>Total FC + VC + Other</b>	<b>0.00</b>	<b>-1,707,557.19</b>	<b>-1,707,557.19</b>	<b>-</b>	<b>-30.82%</b>	<b>-30.82%</b>
<b>Total FC + VC + Other</b>	<b>-60,231.49</b>	<b>-2,317,832.52</b>	<b>-2,378,064.02</b>	<b>-1.23%</b>	<b>-15.60%</b>	<b>-12.04%</b>
<b>Share-based compensation<sup>1</sup></b>						
Accounting recognition - granting in the current year	-255,800.00	-1,170,285.00	-1,426,085.00	-20.62%	-20.62%	-20.62%
Accounting recognition - granting in previous years	0.00	-4,002,642.96	-4,002,642.96	0.00%	-27.56%	-25.53%
<b>Total share-based compensation</b>	<b>-255,800.00</b>	<b>-5,172,927.96</b>	<b>-5,428,727.96</b>	<b>-10.68%</b>	<b>-25.61%</b>	<b>-24.03%</b>
<b>General Total</b>	<b>-316,031.49</b>	<b>-7,490,760.48</b>	<b>-7,806,791.98</b>	<b>-4.34%</b>	<b>-21.37%</b>	<b>-18.44%</b>

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

## PROPOSED AND PERFORMED NUMBERS IN 2020



## II - FISCAL YEAR 2021

For 2021, the Company's Management informs that it has not made any changes to the compensation plan of the Board of Directors and Board of Executive Officers, be it to criteria of Fixed, Variable (Bonus), Benefits, or Share-based Compensation.

### A. Number of members:

Regarding the number of members of the Board of Directors and Statutory Board of Executive Officers for 2021, the Company's Management hereby proposes:



- (i) Maintaining the number of members of the Board of Directors; and
- (ii) The possibility of adding a member to the Board of Executive Officers over 2021.

## **B. Fixed and variable compensation and benefits:**

For purposes of equalization with market practices, the Company's Management proposes for 2021:

- (i) Updating the amounts regarding the Fixed Compensation of the Board of Directors at an index equivalent to the inflation rate ascertained in the period;
- (ii) Updating the amounts referring to the Compensation for Taking Part in Committees for Coordinators of Committees in a rate higher than the inflation in the period, according to the practices observed in the market and the distinguished level of dedication of this role if compared to the other committee members. This item represents an additional 12.42% (twelve point forty-two percent) regarding the 2020 proposal in the line "Compensation for taking part in committees";
- (iii) Updating the amounts related to the Fixed Compensation and Bonuses of the Vice-Presidents (Statutory Board of Executive Officers) at a rate equivalent to the inflation ascertained in the period; and updating the amounts regarding the CEO's Fixed Compensation and Bonuses (Statutory Board of Executive Officers) at an index higher than the inflation, aiming at adapting it to the standards practiced especially in the information technology market in Brazil. These items, taken together, represent an additional of 4.92% (four point ninety-two percent) in the salaries of the Statutory Board of Executive Officers and 12.59% (twelve point fifty-nine percent) in the bonuses payable (both compared to the 2020 proposal); and
- (iv) Readjusting the amounts of medical and dental assistance benefits provided to the Statutory Board of Executive Officers, according to the conditions provided for in the contracts with the corresponding service providers.

As contained in the items above, the Company's Management proposes for 2021, under the terms of the Board of Directors' meeting held on March 12, 2021, an amount of up to R\$20,723,601.78 (twenty million, seven hundred and twenty-two thousand, six hundred and one Reals and seventy-eight cents) as fixed and variable compensation, plus benefits. This proposal brings an increase of 4.91% (four point ninety-one percent) compared to the amounts proposed for 2020, as shown in the tables and graphs below:

### **PROPOSAL FOR 2021 (Fixed Comp. + Var. Comp. + Benefits):**

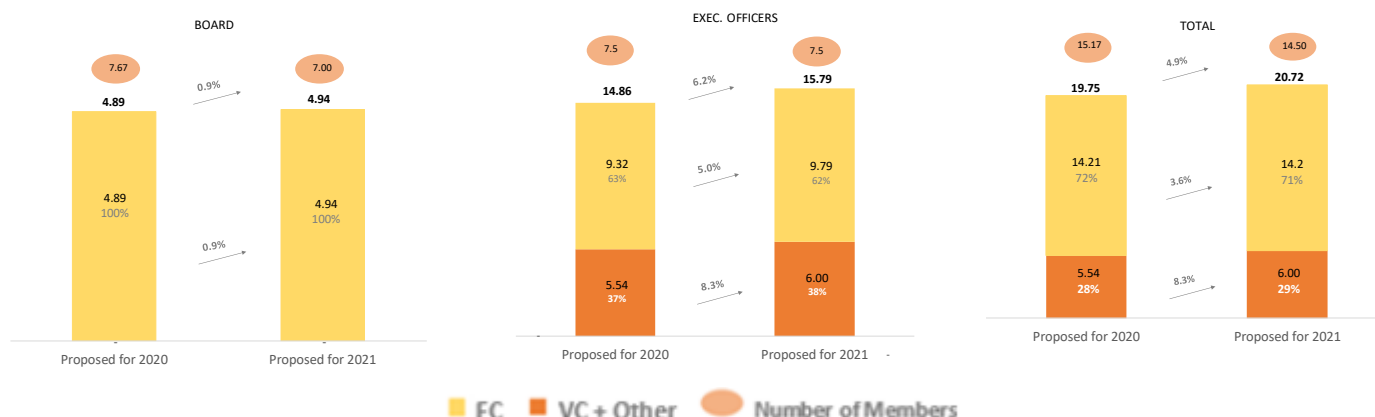
	Proposed 2021			Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.00	7.50	14.50	7.67	7.50	15.17	7.67	7.00	14.67
<b>Fixed annual compensation (FC)</b>									
Salary or management fees	3,381,243.72	8,292,805.49	11,674,049.22	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	380,699.23	1,495,195.59	1,875,894.82	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,174,779.61	0.00	1,174,779.61	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
<b>Total FC</b>	<b>4,936,722.57</b>	<b>9,788,001.08</b>	<b>14,724,723.65</b>	<b>4,892,761.84</b>	<b>9,320,916.10</b>	<b>14,213,677.94</b>	<b>4,832,530.35</b>	<b>8,710,640.76</b>	<b>13,543,171.11</b>
<b>Variable compensation (VC)</b>									
Bonus	0.00	5,723,800.27	5,723,800.27	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
<b>Total Fix.C. + Var.C.</b>	<b>4,936,722.57</b>	<b>15,511,801.35</b>	<b>20,448,523.92</b>	<b>4,892,761.84</b>	<b>14,404,651.53</b>	<b>19,297,413.37</b>	<b>4,832,530.35</b>	<b>12,289,714.90</b>	<b>17,122,245.25</b>
<b>Other</b>									
Post-employment benefits	0.00	275,077.86	275,077.86	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	0.00	0.00	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
<b>Total FC + VC + Other</b>	<b>0.00</b>	<b>5,998,878.13</b>	<b>5,998,878.13</b>	<b>0.00</b>	<b>5,540,710.84</b>	<b>5,540,710.84</b>	<b>0.00</b>	<b>3,833,153.65</b>	<b>3,833,153.65</b>
<b>Total FC + VC + Other</b>	<b>4,936,722.57</b>	<b>15,786,879.21</b>	<b>20,723,601.78</b>	<b>4,892,761.84</b>	<b>14,861,626.94</b>	<b>19,754,388.78</b>	<b>4,832,530.35</b>	<b>12,543,794.41</b>	<b>17,376,324.76</b>



## VARIATION BETWEEN 2021 PROPOSAL AND 2020 PROPOSAL (Fixed Comp. + Var. Comp. + Benefits):

	Proposed 2021 vs. Proposed 2020					
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	-0.67	0.00	-0.67	-8.70%	0.00%	-4.40%
<b>Fixed annual compensation (FC)</b>						
Salary or management fees	-70,980.28	389,235.43	318,255.15	-2.06%	4.92%	2.80%
Direct and indirect benefits	-14,859.41	77,849.56	62,990.15	-3.76%	5.49%	3.47%
Compensation for participation in Committees	129,800.41	0.00	129,800.41	12.42%	-	12.42%
<b>Total FC</b>	<b>43,960.72</b>	<b>467,084.99</b>	<b>511,045.71</b>	<b>0.90%</b>	<b>5.01%</b>	<b>3.60%</b>
<b>Variable compensation (VC)</b>						
Bonus	0.00	640,064.84	640,064.84	-	12.59%	12.59%
<b>Total Fix.C. + Var.C.</b>	<b>43,960.72</b>	<b>1,107,149.83</b>	<b>1,151,110.55</b>	<b>0.90%</b>	<b>7.69%</b>	<b>5.97%</b>
<b>Other</b>						
Post-employment benefits	0.00	-89,702.29	-89,702.29	-	-24.59%	-24.59%
Benefits for termination of tenure	0.00	-92,195.26	-92,195.26	-	-100.00%	-100.00%
<b>Total FC + VC + Other</b>	<b>43,960.72</b>	<b>925,252.28</b>	<b>969,213.00</b>	<b>0.90%</b>	<b>6.23%</b>	<b>4.91%</b>

## PROPOSAL FOR 2021 (Fixed Comp. + Var. Comp. + Benefits):



### C. Share-based Compensation:

The share-based compensation recognized in each fiscal year and explained throughout this topic strictly follows the criteria corresponding to the maximum accounting estimates due to the accounting deferral set forth by the applicable legislation under the CPC 10 standard. The CPC 10 accounting standard, based on the international standard IFRS 2, aims at prescribing procedures for the recognition and disclosure of transactions with payment based on actions carried out by the Companies. To assist understanding thereof, according to CPC10 the cost of transactions settled with equity instruments must be measured based on the fair value on the date they were granted, using an appropriate valuation model. Such cost is recognized in share-based compensation expenses together with the corresponding increase in shareholders' equity over the plan's grace period. For detailed information, please visit:

<http://www.cpc.org.br/CPC/Documentos-Emitidos/Pronunciamentos/Pronunciamento?Id=41>

As regards the year-over-year progress, the Share-Based Compensation goes from the 2020 proposed value of R\$22,593,025.31 (twenty-two million, five hundred and ninety-three thousand, twenty-five Reals and thirty-one cents) to the 2021 proposal of R\$29,563,660.30 (twenty-nine million, five hundred and sixty-three thousand, six hundred and sixty Reals and thirty cents), as shown in the table below:



### 2021 PROPOSAL (SHARE-BASED COMPENSATION):

	Proposed 2021			Proposed for 2020			Performed 2020			Variation of proposed #2021 vs. prop.20
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total	
<b>Share-based compensation<sup>1</sup></b>										
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00	3,016,393.00
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35	3,954,241.99
<b>Total share-based compensation</b>	<b>4,487,100.00</b>	<b>25,076,560.30</b>	<b>29,563,660.30</b>	<b>2,394,800.00</b>	<b>20,198,225.31</b>	<b>22,593,025.31</b>	<b>2,139,000.00</b>	<b>15,025,297.35</b>	<b>17,164,297.35</b>	<b>6,970,634.99</b>
Total number of shares - granting in the current year	270,000	1,174,950	1,444,950	270,000	1,235,250	1,505,250	270,000	1,235,250	1,505,250	-60,300.00
Total number of shares - granting in previous years	540,000	3,008,064	3,548,064	270,000	2,601,639	2,871,639	270,000	2,550,613	2,820,613	676,425.00
<b>Total number of shares</b>	<b>810,000</b>	<b>4,183,014</b>	<b>4,993,014</b>	<b>540,000</b>	<b>3,836,889</b>	<b>4,376,889</b>	<b>540,000</b>	<b>3,785,863</b>	<b>4,325,863</b>	<b>616,125</b>
<b>Total economic par value - granting in the current year</b>	<b>8,351,100</b>	<b>36,341,204</b>	<b>44,692,304</b>	<b>5,581,800</b>	<b>25,536,735</b>	<b>31,118,535</b>	<b>4,430,700</b>	<b>20,270,453</b>	<b>24,701,153</b>	<b>13,573,769</b>

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

Note 1: the amounts granted in previous years were approved by the competent bodies, in accordance with the Share-Based Incentive and Retention Plans approved by the shareholders at General Meetings held, respectively, on December 15, 2015 that was amended on April 5, 2018 and April 18, 2019, having been, therefore, already granted to the beneficiaries.

Note 2: the total book economic value multiplies the total number of shares of the grants performed in the current year with the fair value of the shares.

Such increase of R\$6.970.634,99 (six million, nine hundred and seventy thousand, six hundred and thirty-four Reals and ninety-nine cents) is explained by the following effects:

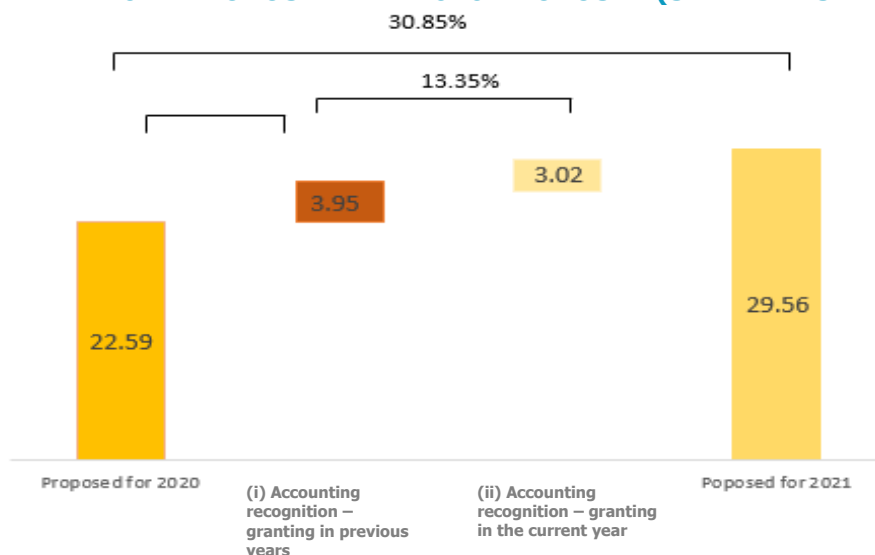
- (i) **Accounting recognition of amounts granted in previous years:** estimated appreciation of approximately 214% (two hundred and fourteen percent), of the shares granted in 2018 that will be effectively delivered to the participants in 2021, with an impact on withheld taxes; more effect of the stacking of the last 3 grants, accumulating the grants performed in 2018 (4/36 in 2021), 2019 (12/36 in 2021), and 2020 (12/36 in 2021) together with the 2021 grant (8/36 in 2021), which end up increasing the total for the year at issue. These factors represent an impact of R\$3.954.241,99 (three million, nine hundred and fifty-four thousand, two hundred and forty-one Reals and ninety-nine cents).
- (ii) **Accounting recognition of grants performed in the current year:** estimated appreciation of shares to be granted in 2021, in the range of 88% (eighty-eight percent), compared to the grant made in 2020; this represents an impact of R\$3.016.393 (three million, sixteen thousand and three hundred and ninety-three Reals), even with the expected delivery of 60,300 (sixty thousand and three hundred) less shares in 2021.

Adding items (i) and (ii), the impact of 30.85% (thirty point eighty-five percent) represents the difference between the 2021 proposal and the 2020 proposal, as shown in the graph below:





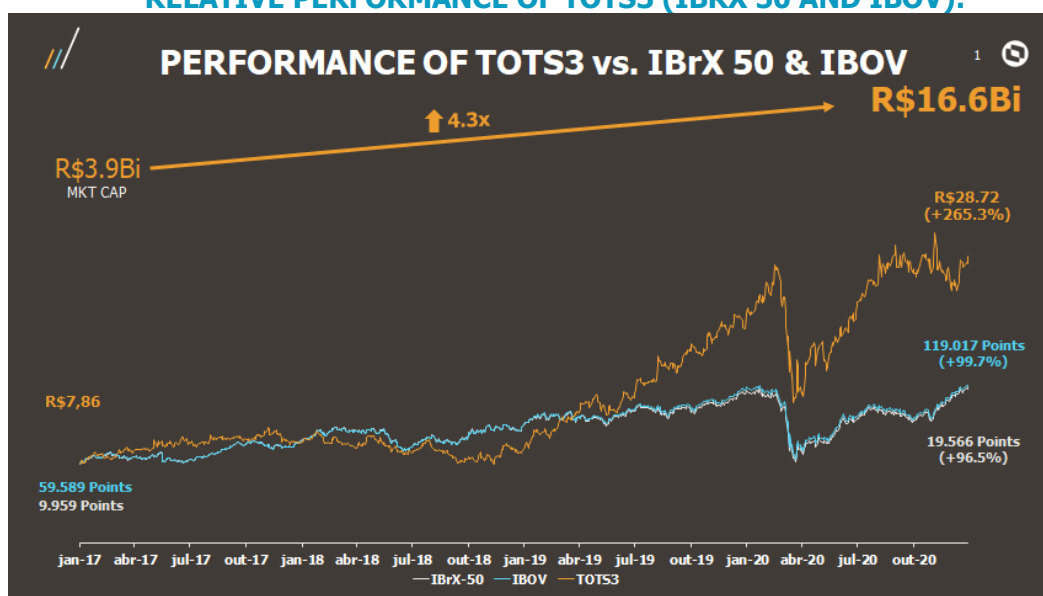
## VARIATION BETWEEN 2021 PROPOSAL AND 2020 PROPOSAL (SHARE-BASED COMPENSATION):



The aforementioned positive effects played, as expected, a critical role in aligning the interests both of shareholders and Management, given the appreciation of TOTVS's share value over the past few years. As shown in the graph below, we can see the high performance of TOTS3 against two important market indexes:

1. **Ibovespa:** the most important indicator of the average performance of the prices of shares traded on B3 (Brazil, Bolsa, Balcão), formed by the shares with the highest volume traded in recent months. Since 2020, TOTVS has been part of this index.
2. **IBrX50:** an indicator of the average price performance of the 50 most tradable and representative assets of the Brazilian stock market. TOTVS has been part of this index since 2021.

## RELATIVE PERFORMANCE OF TOTS3 (IBRX 50 AND IBOV):



We explain below, in detail, the effects of changes in the amounts of share-based compensation for the Board of Directors and Statutory Board of Executive Officers considering the accounting recognition of the grants for the current and previous years:





### Accounting recognition of current year grants:

The Share-Based Incentive and Retention Plan approved at the Extraordinary General Meeting held on December 15, 2015 and amended on April 5, 2018 and April 18, 2019 (the "Plan"), may cover up to 5.68% (five point sixty-eight percent) of the Company's Capital Stock, which currently represents 32,825,469 million shares in ten years, that is, an average of 3,282,547 shares per year.

For the fiscal year 2021, within the scope of the Plan, the Board of Directors intends to grant 1,444,950 (one million, four hundred and forty-four thousand, nine hundred and fifty) restricted shares to the Company's Management members, corresponding to 0.25% (zero point twenty-five percent) of the Capital Stock on this date, compared with 1,505,250 (one million, five hundred and five thousand, two hundred and fifty) shares (0.26% of the share capital on April 27, 2020) in 2020. For the purposes of this proposal, to calculate the granting regarding year 2021 we have considered the average price of the 30 (thirty) trading sessions previous to the base date of March 15, 2021, which represents a book economic value of R\$44.692.303,50 (forty-four million, six hundred and ninety-two thousand, three hundred and three Reals and fifty cents), corresponding to R\$30.93 (thirty Reals and ninety-three cents) per share; emphasizing that the key factor to be considered at the time of the grant, scheduled for May 5, 2021, is the number of shares that will be granted, as this is already determined. It is worth noticing that the effective economic value to be allocated to the granting for the fiscal year 2021 will consider the average price of the 30 (thirty) trading sessions prior to the granting date, as provided for in the Plan. Pursuant to the applicable laws and the characteristics of the Plan, according to the CPC 10 accounting standard, the accounting for this 2021 granting will take place over three years. As a result of the accounting deferral determined by the applicable legislation, the amount to be accounted for in the 2021 fiscal year regarding the 2021 grants will be up to R\$9.931.623 (nine million, nine hundred and thirty-one thousand, six hundred and twenty-three Reals), which corresponds to 8/36 of the economic value of R\$44.692.303,50 (forty-four million, six hundred and ninety-two thousand, three hundred and three Reals and fifty cents).

The table below shows the estimated effect of accounting for 2021 grants over the next few years:

#### SHARE-BASED COMPENSATION - 2021 GRANTS:

Year	Amount accounted for	Hundredths
<b>2021</b>	R\$10,011,898	8/36
<b>2022</b>	R\$15,017,847	12/36
<b>2023</b>	R\$15,017,847	12/36
<b>2024 *</b>	R\$5,005,949	4/36
<b>Total book economic value</b>	<b>R\$45,053,541</b>	<b>36/36</b>

\*these amounts may change according to the variation of the value of the restricted shares on the moment of the effective delivery to the participants, impacting the taxes withheld, in addition to any cancellations over time.

### Accounting recognition of grants from previous years:

In addition to the amount of R\$9.931.623 (nine million, nine Thousand and thirty-one, six hundred and twenty-three Reals), as a result of the provisions set forth in the applicable laws (CPC 10), the amount allocated to share-based compensation should be increased by the amount of R\$19.632.037,30 (nineteen million, six hundred and



thirty-two thousand, and thirty-seven Reals and thirty cents), referring to the accounting recognition estimated for the fiscal year 2021, regarding the accounting of the grants made in previous years for the Management members, due to the accounting deferral determined by the applicable legislation as previously mentioned.

The amount referred to in the above paragraph refers to all granting made in previous years that were approved by the competent bodies, according to the Share-Based Incentive and Retention Plans, approved by the shareholders at General Meetings held, respectively, on December 15, 2015 and amended on April 5, 2018, which has been, therefore, already granted to the beneficiaries.

In the table below we exemplify the estimated effect over the years of the accounting of the grants performed in 2018, 2019, and 2020 and which make up the amount of R\$19.632.037,30 (nineteen million, six hundred and thirty-two thousand, and thirty-seven Reals and thirty cents) accounted for in the fiscal year 2021:

#### SHARE-BASED COMPENSATION - GRANTS FROM 2018 TO 2021:

Year	2018 Granting		2019 Granting		2020 Granting		2021 Granting (proposed)		Total / year
	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	
<b>2018</b>	R\$ 2,330,697.71	8/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 0.00	0/36	<b>R\$ 2,330,697.71</b>
<b>2019</b>	R\$ 3,641,557.17	12/36	R\$ 3,187,426.75	8/36	R\$ 0.00	0/36	R\$ 0.00	0/36	<b>R\$ 6,828,983.92</b>
<b>2020</b>	R\$ 3,511,380.43	12/36	R\$ 4,781,140.12	12/36	R\$ 5,489,145.00	8/36	R\$ 0.00	0/36	<b>R\$ 13,781,665.55</b>
<b>2021</b>	R\$ 6,617,179.70	4/36	R\$ 4,781,140.12	12/36	R\$ 8,233,717.48	12/36	R\$ 9,931,623.00	8/36	<b>R\$ 29,563,660.30</b>
<b>2022</b>	R\$ 0.00	0/36	R\$ 1,593,713.37	4/36	R\$ 8,233,717.48	12/36	R\$ 14,897,434.50	12/36	<b>R\$ 24,724,865.35</b>
<b>2023</b>	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 2,744,572.49	4/36	R\$ 14,897,434.50	12/36	<b>R\$ 17,642,006.99</b>
<b>2024</b>	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 4,965,811.50	4/36	<b>R\$ 4,965,811.50</b>
<b>Total economic par value</b>	<b>R\$ 16,100,815.01</b>	<b>36/36</b>	<b>R\$ 14,343,420.36</b>	<b>36/36</b>	<b>R\$ 24,701,152.45</b>	<b>36/36</b>	<b>R\$ 44,692,303.50</b>	<b>36/36</b>	<b>R\$ 94,871,879.82</b>

Note 1: the amount of R\$6.617.179,70 (six million, six hundred and seventeen thousand, one hundred and seventy-nine Reals and seventy cents) includes the impact of withholding taxes, as a result of the estimated appreciation of approximately 214% (two hundred and fourteen percent) of the shares granted in 2018 that will be effectively delivered to the participants in 2021.

Note 2: future amounts may change according to the variation in the value of the restricted shares at the time of the effective delivery to the participants, impacting the taxes withheld, in addition to any cancellations over time.

#### Conclusion:

Thus, as explained in detail throughout this topic, the only three factors that determine share-based Compensation are:

- (i) the number of shares granted, and for the 2021 grants we intend to grant 60,300 (sixty thousand and three hundred) shares less than in 2020;
- (ii) the reference price of the shares granted, which corresponds to the average of the 30 trading sessions prior to the grant date, values that have been rising over the last few years, as a result of the appreciation of TOTVS's shares; and
- (iii) the stacking factor of grants over the years. In 2021 we estimate that the maximum stacking level will be reached, considering the combination of factors (i) and (ii), with the expectation that this level is maintained for the following years.

In the table below we detail items (i) and (ii) referring to each of the grants recognized in the 2021 fiscal year for the Company's Management.



### SHARE-BASED COMPENSATION - GRANTS FROM 2018 TO 2021:

	2018 Grants	2019 Grants	2020 Grants	2021 Grants (proposal)
Grace period of stock	3 years			
Reference price of restricted shares	R\$10.08	R\$13.40	R\$17.00	R\$30.93 *
Net number of shares outstanding in the current fiscal year	924,564	1,118,250	1,505,520	1,444,950 **

\* The reference price of the restricted shares to be allocated to the grants for the year 2021 will consider the average price of the 30 (thirty) trading sessions prior to the grant date, scheduled for May 5, 2021, as provided for in the Plan.

\*\* The number of shares is the key factor to be considered at the time of the grant, as this has already been determined.

Note 1: Chairman of the Board of Directors eligible from 2019.

Note 2: the net number of shares outstanding in the current fiscal year already includes cancellations performed over time of the 2018 grants.

### Dilution:

The accumulated net dilution of the Share-based Incentive and Retention Plan from the first grant performed in 2016 until the last grant made in 2020, considering the effect of any cancellations made over time before the end of the grace period and considering all the participants contemplated by the grants (Chairman of the Board, Statutory Board of Executive Officers, and other employees benefited), is 1.43% (one point forty-three percent), that is, an average of 0.287% (zero point two hundred and eighty-seven per percent) per year. Thus, to date, the Plan uses only 25.2% (twenty-five point two percent) of the maximum dilution allowed of 5.68% (five point sixty-eight percent) of the Company's capital stock during the effective term of the plan (10 years), even though 50% (fifty percent) of such effective term has already elapsed. We show such effect in the following tables, considering the dilution accumulated to date and the annual average as a reference:

### ACCUMULATED DILUTION:

Accumulated dilution	Dilution %	# Shares	Number of years
Maximum dilution allowed by the Plan	5.68%	32,825,469	10
Current net dilution *	1.43%	8,281,278	5
% already used	25.2%	25.2%	50.0%

\* refers to Restricted Shares already granted to Participants, which may be in a grace period or expired

### ANNUAL AVERAGE DILUTION:

Average annual dilution as a reference	Dilution %	# Shares	Number of years
Maximum dilution allowed by the Plan	0.568%	3,282,547	10
Average annual net dilution *	0.287%	1,656,256	5
% used	50.5%	50.5%	50.0%

\* refers to Restricted Shares already granted to Participants, which may be in a grace period or expired

In the table below, we show the accumulated net dilution and average annual net dilution divided between the Board of Directors, Statutory Board of Executive Officers, and other employees benefited by concessions in the Incentive and Share-based Retention Plan:



### ACCUMULATED DILUTION AND ANNUAL AVERAGE, PER BODY:

Accumulated dilution *	Dilution %	# Shares	Representativeness %	Average annual dilution	Number of years
Board of Directors	0.09%	540,000	6.52%	0.047%	2
Statutory Exec. Officers	0.72%	4,129,905	49.87%	0.144%	5
Other	0.62%	3,611,373	43.61%	0.124%	5
Total	1.43%	8,281,278	100.00%	0.287%	5

\* considering the granting made between 2016 and 2020

The proposed dilution for the 2021 grants follows the same level of dilution approved in the last two years for the Board of Directors and in the last three years for the Statutory Board of Executive Officers, not considering an increase for the year 2021, as shown in the table below:

### ANNUAL DILUTION, PER BODY:

	Net dilution of granting per year		
	Board of Directors	Board of Exec. Officers	Total
Year			
2018	0.00%	0.19%	0.19%
2019	0.05%	0.15%	0.20%
2020	0.05%	0.21%	0.26%
Proposed 2021	0.05%	0.20%	0.25%

Note: to date, there have been no cancellations of shares of the 2019 and 2020 grants.

It is worth noticing that there were cancellations performed over the time of the 2018 grants, and the original dilution of such year was of 0.23% (zero point twenty-three percent). And for the year 2019, the level of 0.15% (zero point fifteen percent) of dilution is explained by the smaller number of Statutory Executive Officers at that time and by the first year of the CEO, who received a smaller number of shares.

We believe that the dilution of the Share-based Incentive and Retention Plan is in line with the context of the industry in which TOTVS is inserted in Brazil, considering its size, equity structure, historical growth and future potential, financial condition, and historical payment practices for performance.

#### D. Global compensation of the Management members:

According to the provisions set forth in paragraphs "A", "B", and "C" above, the proposal for the global compensation amount for the Company's Management members for the fiscal year 2021 is up to R\$50,287.262,08 (fifty million, two hundred and eighty-seven thousand, two hundred and sixty-two Reals and eight cents), as shown in detail in the table and graphs below:

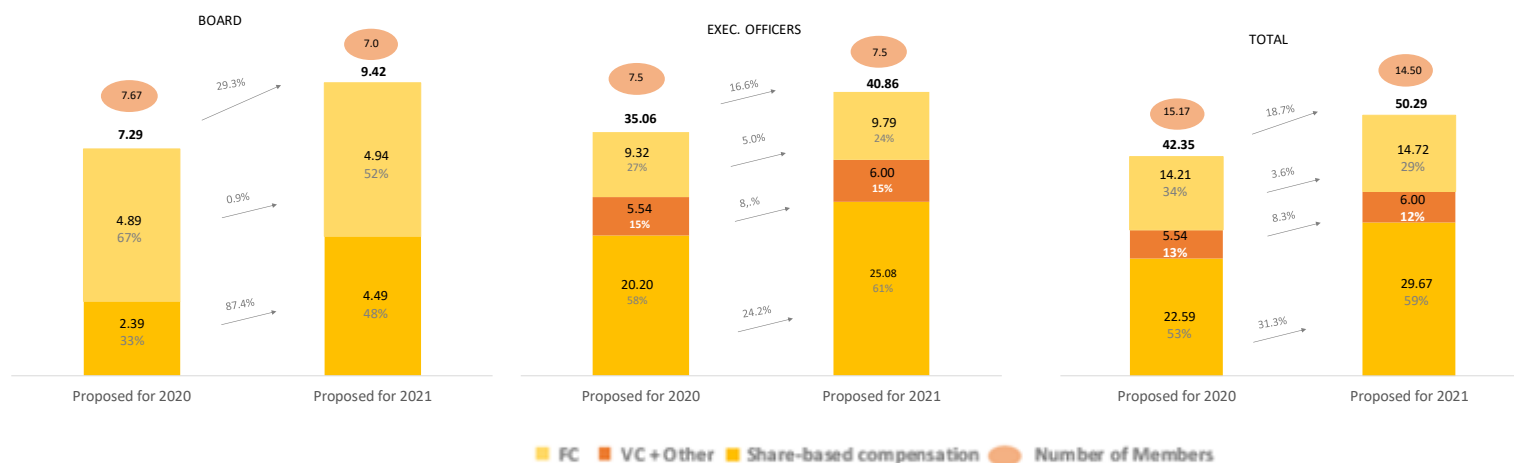


## GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS:

	Proposed 2021			Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.00	7.50	14.50	7.67	7.50	15.17	7.67	7.00	14.67
<b>Fixed annual compensation (FC)</b>									
Salary or management fees	3,381,243.72	8,292,805.49	11,674,049.22	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	380,699.23	1,495,195.59	1,875,894.82	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,174,779.61	0.00	1,174,779.61	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
<b>Total FC</b>	<b>4,936,722.57</b>	<b>9,788,001.08</b>	<b>14,724,723.65</b>	<b>4,892,761.84</b>	<b>9,320,916.10</b>	<b>14,213,677.94</b>	<b>4,832,530.35</b>	<b>8,710,640.76</b>	<b>13,543,171.11</b>
<b>Variable compensation (VC)</b>									
Bonus	0.00	5,723,800.27	5,723,800.27	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
<b>Total Fix.C. + Var.C.</b>	<b>4,936,722.57</b>	<b>15,511,801.35</b>	<b>20,448,523.92</b>	<b>4,892,761.84</b>	<b>14,404,651.53</b>	<b>19,297,413.37</b>	<b>4,832,530.35</b>	<b>12,289,714.90</b>	<b>17,122,245.25</b>
<b>Other</b>									
Post-employment benefits	0.00	275,077.86	275,077.86	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	0.00	0.00	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
<b>Total FC + VC + Other</b>	<b>4,936,722.57</b>	<b>15,786,879.21</b>	<b>20,723,601.78</b>	<b>4,892,761.84</b>	<b>14,861,626.94</b>	<b>19,754,388.78</b>	<b>4,832,530.35</b>	<b>12,543,794.41</b>	<b>17,376,324.76</b>
<b>Share-based compensation<sup>1</sup></b>									
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
<b>Total share-based compensation</b>	<b>4,487,100.00</b>	<b>25,076,560.30</b>	<b>29,563,660.30</b>	<b>2,394,800.00</b>	<b>20,198,225.31</b>	<b>22,593,025.31</b>	<b>2,139,000.00</b>	<b>15,025,297.35</b>	<b>17,164,297.35</b>
<b>General Total</b>	<b>9,423,822.57</b>	<b>40,863,439.51</b>	<b>50,287,262.08</b>	<b>7,287,561.84</b>	<b>35,059,852.25</b>	<b>42,347,414.09</b>	<b>6,971,530.35</b>	<b>27,569,091.76</b>	<b>34,540,622.11</b>

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).  
 Note: the amounts granted in previous years were approved by the competent bodies, in accordance with the Share-Based Incentive and Retention Plans approved by the shareholders at General Meetings held, respectively, on December 15, 2015 that was amended on April 5, 2018 and April 18, 2019, having been, therefore, already granted to the beneficiaries.

## GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:



The growth of 18.75% (eighteen point seventy-five percent) of the global compensation proposed for the year 2021, in comparison with the 2020 proposal, has its greatest absolute impact on the line "accounting recognition of share-based compensation of previous years", which, by itself, showed an increase of R\$3.954.241,99 (three million, nine hundred and fifty-four thousand, two hundred and forty-one Reals and ninety-nine cents), equivalent to an increase of 25.22% (twenty-five point twenty-two percent) year-over-year, as shown in the table below:



## GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS - YEAR-OVER-YEAR VARIATION:

	Proposed 2021 vs. Proposed 2020					
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	-0.67	0.00	-0.67	-8.70%	0.00%	-4.40%
<b>Fixed annual compensation (FC)</b>						
Salary or management fees	-70,980.28	389,235.43	318,255.15	-2.06%	4.92%	2.80%
Direct and indirect benefits	-14,859.41	77,849.56	62,990.15	-3.76%	5.49%	3.47%
Compensation for participation in Committees	129,800.41	0.00	129,800.41	12.42%	-	12.42%
<b>Total FC</b>	<b>43,960.72</b>	<b>467,084.99</b>	<b>511,045.71</b>	<b>0.90%</b>	<b>5.01%</b>	<b>3.60%</b>
<b>Variable compensation (VC)</b>						
Bonus	0.00	640,064.84	640,064.84	-	12.59%	12.59%
<b>Total Fix.C. + Var.C.</b>	<b>43,960.72</b>	<b>1,107,149.83</b>	<b>1,151,110.55</b>	<b>0.90%</b>	<b>7.69%</b>	<b>5.97%</b>
<b>Other</b>						
Post-employment benefits	0.00	-89,702.29	-89,702.29	-	-24.59%	-24.59%
Benefits for termination of tenure	0.00	-92,195.26	-92,195.26	-	-100.00%	-100.00%
<b>Total FC + VC + Other</b>	<b>0.00</b>	<b>458,167.29</b>	<b>458,167.29</b>	<b>-</b>	<b>8.27%</b>	<b>8.27%</b>
<b>Total FC + VC + Other</b>	<b>43,960.72</b>	<b>925,252.28</b>	<b>969,213.00</b>	<b>0.90%</b>	<b>6.23%</b>	<b>4.91%</b>
<b>Share-based compensation<sup>1</sup></b>						
Accounting recognition - granting in the current year	615,400.00	2,400,993.00	3,016,393.00	49.61%	42.31%	43.62%
Accounting recognition - granting in previous years	1,476,900.00	2,477,341.99	3,954,241.99	127.94%	17.06%	25.22%
<b>Total share-based compensation</b>	<b>2,092,300.00</b>	<b>4,878,334.99</b>	<b>6,970,634.99</b>	<b>87.37%</b>	<b>24.15%</b>	<b>30.85%</b>
<b>General Total</b>	<b>2,136,260.72</b>	<b>5,803,587.26</b>	<b>7,939,847.99</b>	<b>29.31%</b>	<b>16.55%</b>	<b>18.75%</b>

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

Thus, the total compensation growth for the current year (including the fixed, variable, other, and share-based compensation lines of the 2021 grant) is 14.94% (fourteen point ninety-four percent), as shown in the tables and graphs below:

## GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:

	Proposed 2021			Proposed for 2020			Performed 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
<b>Total FC + VC + Other</b>	<b>4,936,722.57</b>	<b>15,786,879.21</b>	<b>20,723,601.78</b>	<b>4,892,761.84</b>	<b>14,861,626.94</b>	<b>19,754,388.78</b>	<b>4,832,530.35</b>	<b>12,543,794.41</b>	<b>17,376,324.76</b>
<b>Share-based compensation<sup>1</sup></b>									
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
<b>Total compensation - current year</b>	<b>6,792,522.57</b>	<b>23,862,702.21</b>	<b>30,655,224.78</b>	<b>6,133,161.84</b>	<b>20,536,456.94</b>	<b>26,669,618.78</b>	<b>5,817,130.35</b>	<b>17,048,339.41</b>	<b>22,865,469.76</b>
<b>Share-based compensation<sup>1</sup></b>									
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
<b>General Total</b>	<b>9,423,822.57</b>	<b>40,863,439.51</b>	<b>50,287,262.08</b>	<b>7,287,561.84</b>	<b>35,059,852.25</b>	<b>42,347,414.09</b>	<b>6,971,530.35</b>	<b>27,569,091.76</b>	<b>34,540,622.11</b>

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

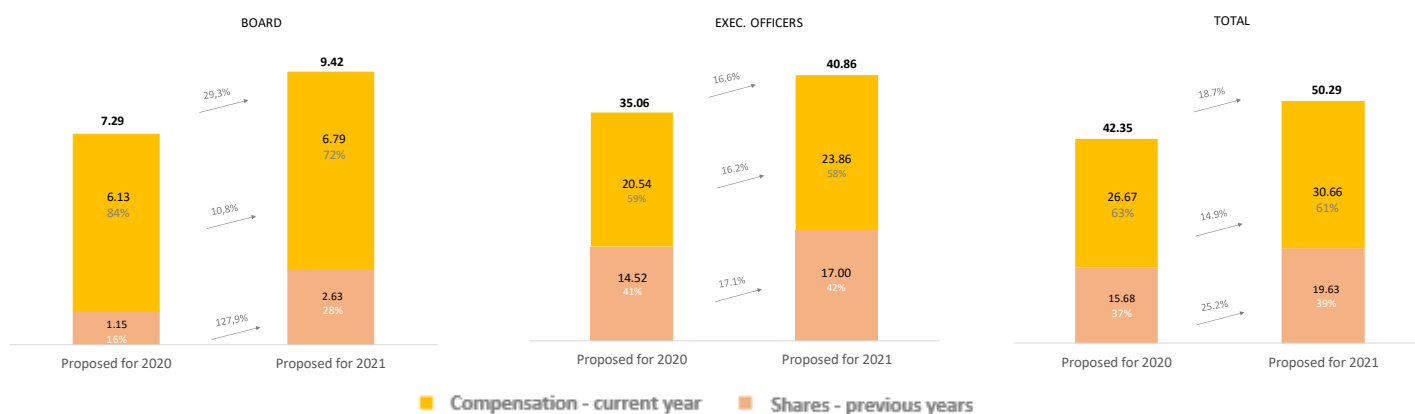


## GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS - YEAR-OVER-YEAR VARIATION:

	Proposed 2021 vs. Proposed 2020					
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
<b>Total FC + VC + Other</b>	43,960.72	925,252.28	969,213.00	0.90%	6.23%	4.91%
<i>Share-based compensation<sup>1</sup></i>						
Accounting recognition - granting in the current year	615,400.00	2,400,993.00	3,016,393.00	49.61%	42.31%	43.62%
<b>Total compensation - current year</b>	<b>659,360.72</b>	<b>3,326,245.27</b>	<b>3,985,606.00</b>	<b>10.75%</b>	<b>16.20%</b>	<b>14.94%</b>
<i>Share-based compensation<sup>1</sup></i>						
Accounting recognition - granting in previous years	1,476,900.00	2,477,341.99	3,954,241.99	127.94%	17.06%	25.22%
<b>General Total</b>	<b>2,136,260.72</b>	<b>5,803,587.26</b>	<b>7,939,847.99</b>	<b>29.31%</b>	<b>16.55%</b>	<b>18.75%</b>

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

## GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:



## E. RATIO OF EACH ITEM IN THE TOTAL COMPENSATION

The increase in the ratio of variable compensation compared to fixed compensation over the years adequately aligns the compensation strategy with the purpose of boosting the Company's future performance.

### BOARD OF EXECUTIVE OFFICERS

Item of Compensation	2021	2020	2019	2018
<b>Fixed</b>	20%	27%	29%	58%
<b>Variable</b>	76%	67%	60%	37%
<b>Benefits</b>	4%	5%	11%	5%





## BOARD OF DIRECTORS

Item of Compensation	2021	2020	2019	2018
<b>Fixed</b>	48%	64%	82%	100%
<b>Variable*</b>	48%	31%	14%	-
<b>Benefits*</b>	4%	5%	4%	-

\*Applicable to the Chairman of the Board of Directors only

### F. CONCLUSION:

We are convinced that the compensation proposal for 2021 is aligned with the Company's long-term and operational performance, as shown in the tables below, with the comparison of the main growth metrics of the previous year *versus* the growth of the proposed compensation of 2021 compared to the 2020 proposal:

### KEY INDICATORS AND COMPARATIVE COMPENSATION:

Index	2020	2019	Δ
<b>Total net income *</b>	2,596,077	2,282,124	<b>13.8%</b>
<b>Recurring Revenue *</b>	1,954,093	1,729,218	<b>13.0%</b>
<b>Consolidated adjusted EBITDA *</b>	589,717	469,742	<b>25.5%</b>
<b>Adjusted and consolidated EBITDA margin</b>	22.7%	20.6%	<b>210 bp</b>
<b>Cash Profit *</b>	337,548	268,484	<b>25.7%</b>
<b>Cash Profit margin</b>	13%	11.80%	<b>120 bp</b>
<b>TOTS3 share</b>	28.72	21.52	<b>33.5%</b>
<b>Ibovespa</b>	119,017	115,645	<b>2.9%</b>
<b>IBrX50</b>	19,566	18,882	<b>3.6%</b>

\*(Amounts stated in 000s of Real)

Compensation	Proposed for 2021	Proposed for 2020	Δ
<b>Total Fixed Compensation</b>	14,724,724	14,213,678	<b>3.6%</b>
<b>Total fixed + variable compensation + others</b>	20,723,602	19,754,389	<b>4.9%</b>
<b>Total compensation for current year <sup>1</sup></b>	30,655,225	26,669,619	<b>14.9%</b>
<b>Share-based compensation - accounting recognition in previous years</b>	19,632,037	15,677,795	<b>25.2%</b>
<b>Total Global Compensation</b>	50,287,262	42,347,414	<b>18.7%</b>
<b>Proportion of total variable compensation over total global compensation <sup>2</sup></b>	70%	60%	<b>10 p.p.</b>
<b>Number of shares - 2021 granting</b>	1,444,950	1,505,250	<b>-4.0%</b>
<b>Dilution of granting in the year</b>	0.25%	0.26%	<b>-2.6%</b>

<sup>1</sup> Fixed + variable + other compensation + share-based compensation for the current year

<sup>2</sup> Variable compensation includes bonuses + share-based compensation in the current year



## 14.1 - Description of human resources

### a. number of employees (total, by groups based on the activity performed and by geographical location)

Activity Performed	2020	2019	2018	2017
Provision of Services	3.676	3,347	3,778	3,707
Research and Development	2.542	2,236	2,382	2,239
Sales	734	639	695	767
Administrative/Others	914	749	950	1,055
<b>Total <sup>1</sup></b>	<b>7.866</b>	<b>6,971</b>	<b>7,805</b>	<b>7,768</b>

Geographical Location	2020	2019	2018	2017
Brazil	7,612	6,716	7,529	7,481
Other Latin American countries	239	242	221	214
United States	11	9	44	51
Europe	4	4	3	12
Asia	0	0	8	10
<b>Total <sup>1</sup></b>	<b>7,866</b>	<b>6,971</b>	<b>7,805</b>	<b>7,768</b>

<sup>1</sup> Consolidated information, that is, human resources in the Company's controlled companies and subsidiaries were also included.

### b. number of outsourced workers (total, by groups based on the activity performed and by geographical location)

Activity Performed	2020	2019	2018	2017
Security, Reception Services and Cleaning	220	207	209	212
Sales Representatives	0	0	0	0
Other Activities	59	54	77	74
<b>Total <sup>1</sup></b>	<b>279</b>	<b>261</b>	<b>286</b>	<b>286</b>

Geographical Location	2020	2019	2018	2017
Brazil	279	261	286	286
<b>Total <sup>1</sup></b>	<b>279</b>	<b>261</b>	<b>286</b>	<b>286</b>

<sup>1</sup> Consolidated information, that is, human resources in the Company's controlled companies and subsidiaries were also included.

### c. Turnover

Index	2020	2019	2018	2017
<i>Turn-over<sup>1</sup></i>	16.54%	20.84%	22.21%	21.22%

<sup>1</sup>Turnover = [(Hired + Terminated) / 2] / Active Employees



#### 14.2 – Material Changes - Human Resources

The increase in the number of employees between 2019 and 2020 reflects the inorganic absorption of acquired companies (Consinco, Supplier, and Wealth Systems) in the TOTVS Consolidated.

Even in an unstable scenario of a pandemic in 2020, TOTVS had the lowest turnover rate in the last 4 years, standing out positively if compared with the average players in the *high tech* market<sup>1</sup>. This shows consistency in the company's actions in its talent retention plan.

TOTVS continues to focus on synergy in the Administrative areas, where it has been showing greater gains in operating efficiency in recent years, and integrating acquired companies.



### **14.3 – Description of the employee compensation policy**

#### **a. salary and variable compensation policy**

The Company's compensation policy includes provisions for compensation to be established in accordance with market standards for positions with similar activities and responsibilities, with a view to maintaining the company's ability to attract and retain the participants.

The compensation structure is approved by the Personnel and Compensation Committee and the necessary changes are submitted to the aforesaid committee for its analysis. The Company organizes positions within the same nature of function, according to hierarchy, strategic contribution, scope, technical-professional maturity, complexity of assignment and inherent responsibility. Every position has its compensation established according to the responsibilities and qualifications required to perform the function, with the total compensation being divided between fixed and variable compensation.

The fixed compensation refers to the amount received on a monthly basis by the participant, which is paid by means of the payroll system, which is designed to compensate the participant for the duties and responsibilities that are applicable to the position held, which is also referred to as "nominal salary".

The variable compensation refers to the amounts received at regular intervals by the participant, which reward the participant for his or her differentiated individual performance, for the results of his/her area of activity and/or for TOTVS's overall results, which may be the result of the achievement of targets, as defined in the specific program.

#### **b. benefits policy**

The Company offers a number of benefits to its participants with a view to providing them with a better quality of life, with this being one of the company's strategies for attracting and retaining the professionals. Among the main benefits offered by the Company are: i) a health plan that provides medical, laboratory and hospital care to all participants and their direct dependents; ii) a dental plan for the participants and their direct dependents; and iii) a private pension program (defined contribution plan), in partnership with a financial institution, with part of the contributions coming from the Company and part from the participant himself/herself.

#### **c. share-based compensation plans for employees who are not managers**

##### **I. groups of beneficiaries**

The current and future employees and managers of the Company and/or of its controlled companies or subsidiaries indicated by the Personnel and Compensation Committee and selected by the Board of Directors to take part in the Plan, under the terms of "Plan 2" described in item 13.4 of this form are eligible to take part in the Plan.

##### **II. conditions for exercise**

Not applicable, as the plan does not include stock options to be exercised, only restricted shares that will be delivered to the participants under the terms and conditions established in the plan.

##### **III. exercise prices**

Not applicable, as the plan does not include stock options to be exercised, only restricted shares that will be delivered to the participants under the terms and conditions established in the plan.



**IV. exercise periods**

Not applicable, as the plan does not include stock options to be exercised, only restricted shares that will be delivered to the participants under the terms and conditions established in the plan.

**V. number of shares committed by plan**

The total number of shares may not exceed 5.68% (five point sixty-eight one hundredths of a percent) of the Company's capital stock, taking into account: (i) a period of 10 years from the date on which the plan is approved; and (ii) restricted shares granted to managers and employees, under the terms of "Plan 2" described in item 13.4 of this form.



#### 14.4 – Description of issuer/union relations

TOTVS maintains a permanent **negotiation process for the construction of solutions with Union Entities**. We hold meetings to structure specific collective agreements, such as: profit-sharing distribution, employees' bank of work hours, among others, always seeking to meet the interests of all parties involved.

The Company's labor relations, both individual and collective, are carried out directly and based on respect and ethics, with a view to faithfully complying with the labor legislation currently in force. At TOTVS, all participants are covered by collective labor agreements.

To ensure compliance with current labor standards, TOTVS maintains in its structure a team focused on labor relations and negotiation with unions, always seeking the synergy of stakeholders to maintain a harmonic and friendly relationship between the parties.



#### **14.5 – Other material information – Human Resources**

At a meeting held on March 16, 2017, the Board decided to adopt a policy for the election of members of the Executive Board, with effect from this date onward, consisting of the following:

- (i) No individual who has already reached the age of 62 (sixty-two) as at the date of election should be elected to the position of Chief Executive Officer; and
- (ii) No individual who has already reached the age of 60 (sixty) as at the date of election should be elected to take up any other position on the Executive Board.





## 15.1 / 15.2 – Shareholder Position

Shareholder						
Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ) - shareholder	Nationality/State agreement	Party to a shareholders' agreement	Controlling Shareholder	Most recent alteration		
Shareholder Resident Abroad	Name of Legal Representative or Attorney-in-fact		Type of Person	Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ)		
Number of common shares (Units)	Common Shares %	Number preferred shares (Units)	Preferred Shares %	Total number of shares (Units)		Total shares %
Breakdown by class of shares (Units)						
Share Class	Number of shares (Units)	Shares %				
LC EH Participações e Empreendimentos S/A						
02.986.755/0001-32	BRAZILIAN – SAO PAULO	No	No	11/08/2010		
No						
80,282,970	13.892%	0	0.000%	80,282,970		13.892%
Laércio José de Lucena Cosentino						
032.737.678-39	BRAZILIAN - SAO PAULO	No	No	02/19/2018		
No						
6,631,704	1.148%	0	0.000%	6,631,704		1.148%
BlackRock, Inc						
	United States	No	No	12/03/2020		
No				33.868.597/0001-40		
29,695,310	5.138%	0	0.000%	29,695,310		5.138%
Constellation Investimentos e Participações Ltda.						
06.182.127/0001-55	BRAZILIAN - SAO PAULO	No	No	03/25/2020		
No						
30,090,381	5.207%	0	0.000%	30,090,381		5.207%
GIC Private Limited						
		No	No	01/14/2021		
No	Citibank Distribuidora de Títulos e Valores Mobiliários S.A.			33.868.597/0001-40		
36,696,187	6.350%	0	0.000%	36,696,187		6.350%



Shareholder						
Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ) – shareholder	Nationality/State agreement	Party to a shareholders' agreement	Controlling Shareholder	Most recent alteration		
Shareholder Resident Abroad	Name of Legal Representative or Attorney-in-fact		Type of Person	Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ)		
Number of common shares (Units)	Common Shares %	Number preferred shares (Units)	Preferred Shares %	Total number of shares (Units)		Total shares %
Breakdown by class of shares (Units)						
Share Class	Number of shares (Units)	Shares %				
HG SENTA PUA FIA						
08.613.315/0001-16	BRAZILIAN - SAO PAULO	No	No	04/15/2020		
No						
	144,800	0.025%	0	0.000%	144,800	0.025%
Itaú Unibanco S.A						
60.701.190/0001-04	BRAZILIAN - SAO PAULO	No	No	03/05/2020		
No						
	29,514,195	5.107%	0	0.000%	29,514,195	5.107%
OTHERS						
	355,745,400	61.556%	0	0.000%	355,745,400	61.556%
TREASURY SHARES - Date of last alteration: 02/05/2021						
	9,112,234	1.577%	0	0.000%	9,112,234	1.577%
TOTAL						
	577,913,181	100.000%	0	0.000000%	577,913,181	100.000%



PARENT COMPANY/INVESTOR						
SHAREHOLDER						
Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ) – shareholder	Nationality/State agreement	Party to a shareholders' agreement		Controlling Shareholder Most recent alteration		
Shareholder Resident Abroad	Name of Legal Representative or Attorney-in-fact		Type of Person		Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ)	
Breakdown of shares (Units)						
Number of common shares (Units)	Common Shares %	Number preferred shares (Units)		Preferred Shares %	Total number of shares (Units)	Total shares %
PARENT COMPANY/INVESTOR					Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ) – shareholder	Composition of share capital
HG Punta Fia					08.613.315/0001-16	
Laércio José de Lucena Cosentino						
032.737.678-39	BRAZILIAN - SAO PAULO	No		No	02/19/2018	
No						
2,785,041	99.840	0		0.00	2,785,041	99.840
Share class	Number of shares (Units)	Shares %				
TOTAL	0	0.000000				
Marcelo Eduardo Sant'anna Cosentino						
306.743.308-46	BRAZILIAN - SAO PAULO	No		No	01/30/2008	
No						
4,355	0.160	0		0.00	4,355	0.160
Share class	Number of shares (Units)	Shares %				
TOTAL	0	0.000000				
OTHERS						
0	0.000	0		0.000	0	0.000
TOTAL						
2,789,396	100.000	0		0.000	2,789,396	100.000



PARENT COMPANY/INVESTOR					
SHAREHOLDER					
Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ) – shareholder	Nationality/State agreement	Party to a shareholders' agreement	Controlling Shareholder Most recent alteration		
Shareholder Resident Abroad	Name of Legal Representative or Attorney-in-fact	Type of Person	Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ)		
<b>Breakdown of shares (Units)</b>					
Number of common shares (Units)	Common Shares %	Number preferred shares (Units)	Preferred Shares %	Total number of shares (Units)	Total shares %
PARENT COMPANY/INVESTOR			Individual Taxpayers' Register/ National Corporate Taxpayers' Register (CPF/CNPJ) - shareholder		Composition of share capital
LC EH Participações e Empreendimentos S/A			02.986.755/0001-32		
Ernesto Mário Haberkorn					
029.258.698-15	BRAZILIAN SAO PAULO	No	No	02/08/2018	
No					
109,019	19.962	92,351	16.910	201,370	36.873
<b>Share class</b>	<b>Number of shares (Units)</b>	<b>Shares %</b>			
TOTAL	0	0.000			
Laércio José de Lucena Cosentino					
032.737.678-39	BRAZILIAN - SAO PAULO	No	No	02/19/2018	
No					
344,745	63.126	0	0.000	344,745	63.126
<b>Share class</b>	<b>Number of shares (Units)</b>	<b>Shares %</b>			
TOTAL	0	0.000000			
<b>OTHERS</b>					
0	0.000000	0	0.000000	0	0.000000
<b>TOTAL</b>					
453,764	83.089000	92,351	16.910000	546,115	100.000000



### 15.3 Distribution of Capital

<b>Date of the last shareholders' meeting/ Date of the last alteration</b>	04/20/2021
<b>Number of individual shareholders (Units)</b>	65,401
<b>Number of corporate shareholders (Units)</b>	480
<b>Number of institutional investors (Units)</b>	1,191

### Outstanding Shares

Outstanding shares correspond to all of the issuer's shares except those held by the controlling shareholders, persons related to the controlling shareholder, the issuer's managers and treasury shares.

<b>Number of common shares (Units)</b>	480,960,677	83.224%
<b>Number of preferred shares (Units)</b>	0	0.00%
<b>Total</b>	480,960,677	83.224%



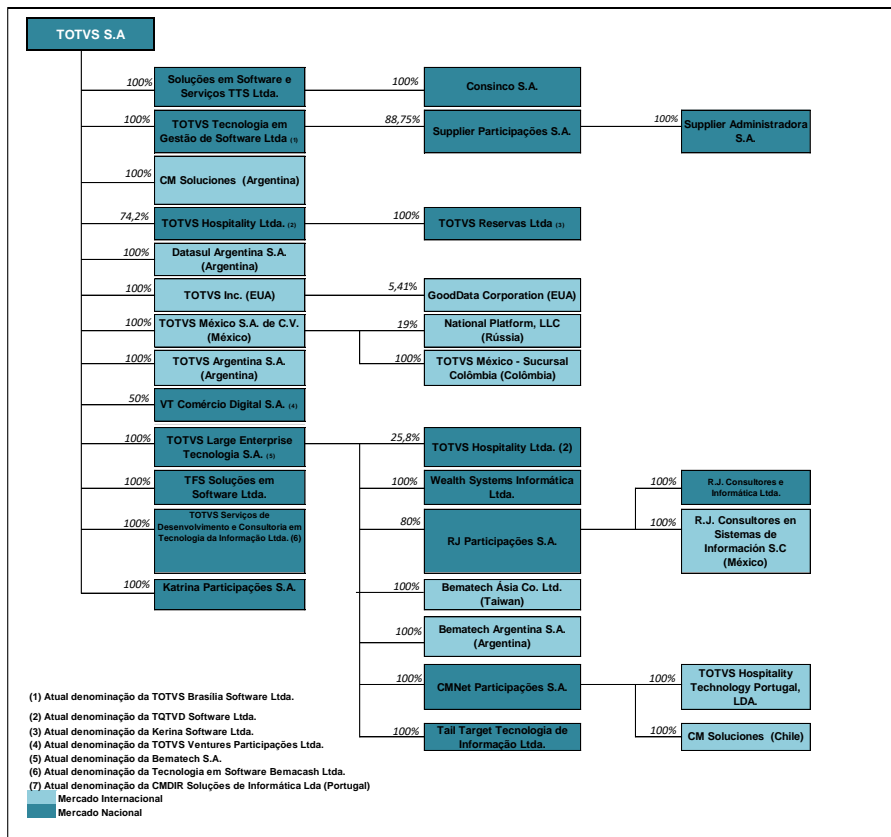
## 15.4 – Shareholder and economic group organization chart

### Shareholders

TOTVS S.A	
100.000%	
13.892%	LC EH Participações e Empreendimentos S/A (*)
6.350%	GIC Private Limited
5.207%	Constellation Investimentos e Participações Ltda.
5.138%	BlackRock, Inc
5,107%	Itaú Unibanco
1.148%	Laércio José de Lucena Cosentino
0.025%	HG Senta Pua Fia (*)
1.577%	Treasury Stocks
61.556%	Others (free float)

(\*) Laércio José de Lucena Cosentino and Ernesto Haberkon own interests in the fund LC EH Participações e Empreendimentos S/A. Marcelo Eduardo Cosentino owns interests in the HG Senta Pua Fia fund.

### Economic Group (Company's organizational chart on April 29, 2021):



- (1) Current corporate name of TOTVS Brasilia Software Ltda.  
 (2) Current corporate name of TOTVD Software Ltda.  
 (3) Current corporate name of Kerina Software Ltda.  
 (4) Current corporate name of TOTVS Ventures Participações Ltda.  
 (5) Current corporate name of Bematech S.A.  
 (6) Current corporate name of Tecnologia em Software Bemacash Ltda.

International market  
 Brazilian domestic market



**15.5 - Shareholders' agreement filed at the headquarters or to which the controlling shareholder is a party**

Management is not aware of any agreement among the Company's shareholder's.

**15.6 - Material changes in the interests of members of the controlling group and management of the issuer**

Not applicable as there is no controlling group in the Company.



## 15.7 – Main corporate operations

### a. Event

Company's sale of the entire interest it held in Bematech Hardware Ltda.

### b. Key business terms

Sale for the amount of R\$25,000,000.00 (twenty-five million Reals), subject to some adjustments, to be paid at the closing of such transaction.

### c. Companies involved

TOTVS S.A., Bematech S.A., and Bematech Hardware Ltda.

### d. Effects resulting from such transaction in the shareholding structure, especially on the interest held by the controlling shareholder, by shareholders with more than 5% of the capital stock, and by the issuer's Management

There was no material effect on the Company's shareholding structure resulting from such transaction.

### e. Corporate structure before and after such transaction

The operation was completed in 10/24/2019. Please see section 15.4.

### f. Mechanisms used to ensure equal treatment between shareholders

Not Applicable





**a. Event**

Company's sale of the entire interest it held in Bematech International Corporation ("BIC").

**b. Key business terms**

Sale for the amount of USD5,000,000.00 (five million Dollars), subject to some adjustments, according to Stock Purchase Agreement (SPA) terms.

**c. Companies involved**

TOTVS S.A., Bematech S.A., and Bematech International Corporation.

**d. Effects resulting from such transaction in the shareholding structure, especially on the interest held by the controlling shareholder, by shareholders with more than 5% of the capital stock, and by the issuer's Management**

There was no material effect on the Company's shareholding structure resulting from such transaction.

**e. Corporate structure before and after such transaction**

The operation was completed in 11/06/2019. Please see section 15.8.

**f. Mechanisms used to ensure equal treatment between shareholders**

Not Applicable



**a. Event**

Company's sale of the entire interest it held in CIASHOP S.A.

**b. Key business terms**

Sale for the amount of R\$21,175,000.00 (twenty-one million one hundred seventy-five thousand *Reais*), subject to some adjustments, to be paid at the closing of such transaction.

**c. Companies involved**

TOTVS S.A. and CIASHOP S.A.

**d. Effects resulting from such transaction in the shareholding structure, especially on the interest held by the controlling shareholder, by shareholders with more than 5% of the capital stock, and by the issuer's Management**

There was no material effect on the Company's shareholding structure resulting from such transaction.

**e. Corporate structure before and after such transaction**

The operation was completed in 07/31/2019. Please see section 15.8.

**f. Mechanisms used to ensure equal treatment between shareholders**

Not Applicable



**a. Event**

Acquisition through its subsidiary TOTVS Tecnologia em Software de Gestão Ltda. of shares representative of 88.8% of the capital stock of SUPPLIER PARTICIPAÇÕES S.A., owner of the totality of the shares of SUPPLIER ADMINISTRADORA DE CARTÕES DE CRÉDITO S.A.

**b. Key business terms**

Acquisition for the amount of R\$455.2 million (four hundred and fifty-five million two hundred thousand *Reais*), subject to adjustments, to be paid at the closing of such transaction. Additionally, it is also foreseen a complementary purchase price payment conditioned to the achievement of certain goals established to SUPPLIER in respect to the fiscal years of 2020 and 2021.

**c. Companies involved**

TOTVS S.A., TOTVS Tecnologia em Software de Gestão Ltda., SUPPLIER PARTICIPAÇÕES S.A., SUPPLIER ADMINISTRADORA DE CARTÕES DE CRÉDITO S.A.

**d. Effects resulting from such transaction in the shareholding structure, especially on the interest held by the controlling shareholder, by shareholders with more than 5% of the capital stock, and by the issuer's Management**

There was no material effect on the Company's shareholding structure resulting from such transaction.

**e. Corporate structure before and after such transaction**

The operation was concluded in 04/30/20. See table in item 15.8.

**f. Mechanisms used to ensure equal treatment between shareholders**

Not Applicable



**a. Event**

Acquisition through its subsidiary Soluções em Software e Serviços TTS Ltda. ("TTS") of shares that represent 100% of the share capital of CONSINCO S.A. ("CONSINCO").

**b. Key business terms**

TTS will pay the amount of R\$197 million to the sellers on the closing date of the transaction. Additionally, the Agreement provides for the payment of a complementary purchase price of up to R\$55 million conditioned to the achievement of targets established for CONSINCO in relation to the fiscal years of 2021 and 2022 and the satisfaction of certain other conditions.

**c. Companies involved**

TOTVS S.A., Soluções em Software e Serviços TTS Ltda. and CONSINCO S.A.

**d. Effects resulting from such transaction in the shareholding structure, especially on the interest held by the controlling shareholder, by shareholders with more than 5% of the capital stock, and by the issuer's Management**

There was no material effect on the Company's shareholding structure resulting from such transaction.

**e. Corporate structure before and after such transaction**

The operation was completed in 01/30/20. See table in item 15.8.

**f. Mechanisms used to ensure equal treatment between shareholders**

Not Applicable



**a. Event**

Acquisition through its subsidiary TOTVS Large Enterprise Tecnologia S.A. ("TOTVS Large") of quotas that represent 100% of the share capital of WEALTH SYSTEMS INFORMÁTICA LTDA. ("WEALTH SYSTEMS").

**b. Key business terms**

Acquisition of 100% of the capital stock of WEALTH SYSTEMS INFORMÁTICA LTDA. ("WEALTH SYSTEMS") for R\$27.0 million, subject to adjustments, of which R\$16.7 million paid in cash to sellers and R\$10.3 million will be paid in February 2021. The agreement also envisages the payment of variable additional purchase price, conditioned on the achievement of targets set for WEALTH SYSTEMS in fiscal year 2023.

**c. Companies involved**

TOTVS S.A., TOTVS Large Enterprise Tecnologia S.A. and WEALTH SYSTEMS INFORMÁTICA LTDA.

**d. Effects resulting from such transaction in the shareholding structure, especially on the interest held by the controlling shareholder, by shareholders with more than 5% of the capital stock, and by the issuer's Management**

There was no material effect on the Company's shareholding structure resulting from such transaction.

**e. Corporate structure before and after such transaction**

The operation was carried out on 4/8/20. See table in item 15.4.

**f. Mechanisms used to ensure equal treatment between shareholders**

Not Applicable



**a. Event**

Acquisition through its subsidiary TOTVS Large Enterprise Tecnologia S.A. ("TOTVS Large") of quotas that represent 100% of the share capital of Tail Target Teconologia de Informação Ltda. ("TAIL").

**b. Key business terms**

Acquisition for R\$12.0 million. The agreement also envisages the payment of variable additional purchase with the variable price of R\$20.0 million, conditioned on the achievement of targets set for TAIL in the fiscal years of 202 and 2022 and other conditions.

**c. Companies involved**

TOTVS S.A., TOTVS Large Enterprise Tecnologia S.A. and TAIL TARGET TECNOLOGIA DE INFORMAÇÃO LTDA. ("TAIL").

**d. Effects resulting from such transaction in the shareholding structure, especially on the interest held by the controlling shareholder, by shareholders with more than 5% of the capital stock, and by the issuer's Management**

There was no material effect on the Company's shareholding structure resulting from such transaction.

**e. Corporate structure before and after such transaction**

The operation was carried out on 12/21/20. See table in item 15.4.

**f. Mechanisms used to ensure equal treatment between shareholders**

Not Applicable



**a. Event**

Approval of the incorporation of Neolog Consultoria e Sistemas S.A. by TOTVS S.A.

**b. Key business terms**

The Company holds 100% of Neolog's share capital, with no minority shareholders, whose shares results are already fully reflected in their financial statements. The merger aims to aim to simplify the corporate structure and streamline operations, optimize management and minimize expenses, without any effect on the Company's capital stock or shareholders' equity.

(i) Neolog will be succeeded by the Company in all its rights and obligations, pursuant to article 227 of Law 6,404 / 76, and the shares issued by Neolog will be extinguished, pursuant to paragraph 1 of article 226 of Law 6,404 / 76, without the attribution of shares issued by the Company in substitution to the rights of shareholder; (ii) Bearing in mind that the net equity of Neolog, whose sole shareholder is the Company, is fully reflected in the Company's shareholders' equity, as a result of the application of the equity method, there will be no capital increase of the Company or issue of new shares in due to the Merger of Neolog; (iii) Due to the characteristics of the Merger of Neolog, the Company understands that it is not necessary to prepare the report referred to in article 264 of Law nº. 6,404 / 76, an understanding that is now ratified by the shareholders; (iv) Due to the facts recorded above, there will be no withdrawal rights as a result of the Merger of Neolog.

**c. Companies involved**

TOTVS S.A., Neolog Consultoria e Sistemas S.A.

**d. Effects resulting from such transaction in the shareholding structure, especially on the interest held by the controlling shareholder, by shareholders with more than 5% of the capital stock, and by the issuer's Management**

There was no material effect on the Company's shareholding structure resulting from such transaction.

**e. Corporate structure before and after such transaction**

The operation was approved in the AGM held on 04/20/21. See table in item 15.4.

**f. Mechanisms used to ensure equal treatment between shareholders**

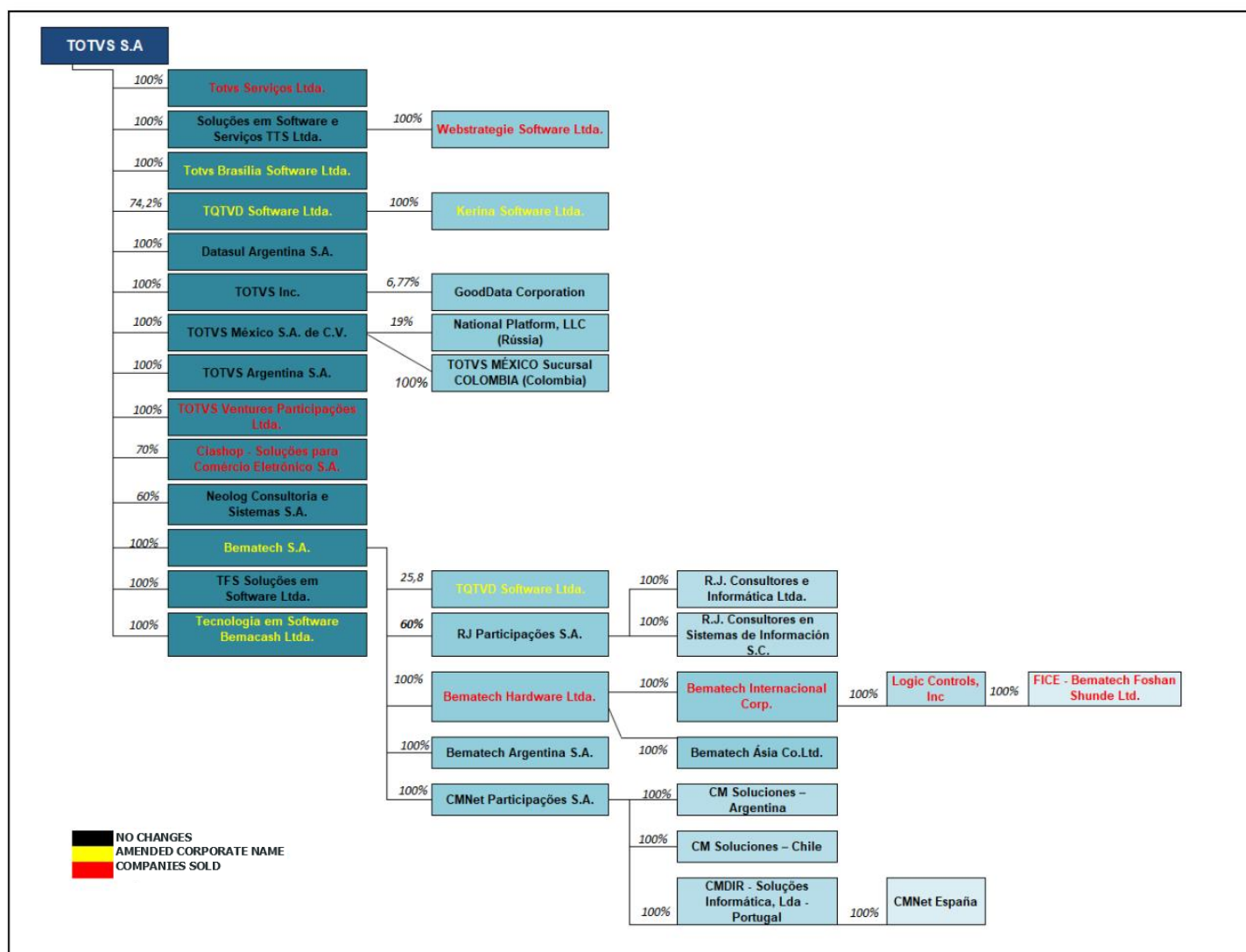
Not Applicable



## 15.8 – Other material information

In addition to section 15.7, we submit hereinbelow the Company's organizational chart on December 31, 2018, December 31, 2019 and December 31, 2020 aiming at showing the corporate changes that took place over fiscal year 2019.

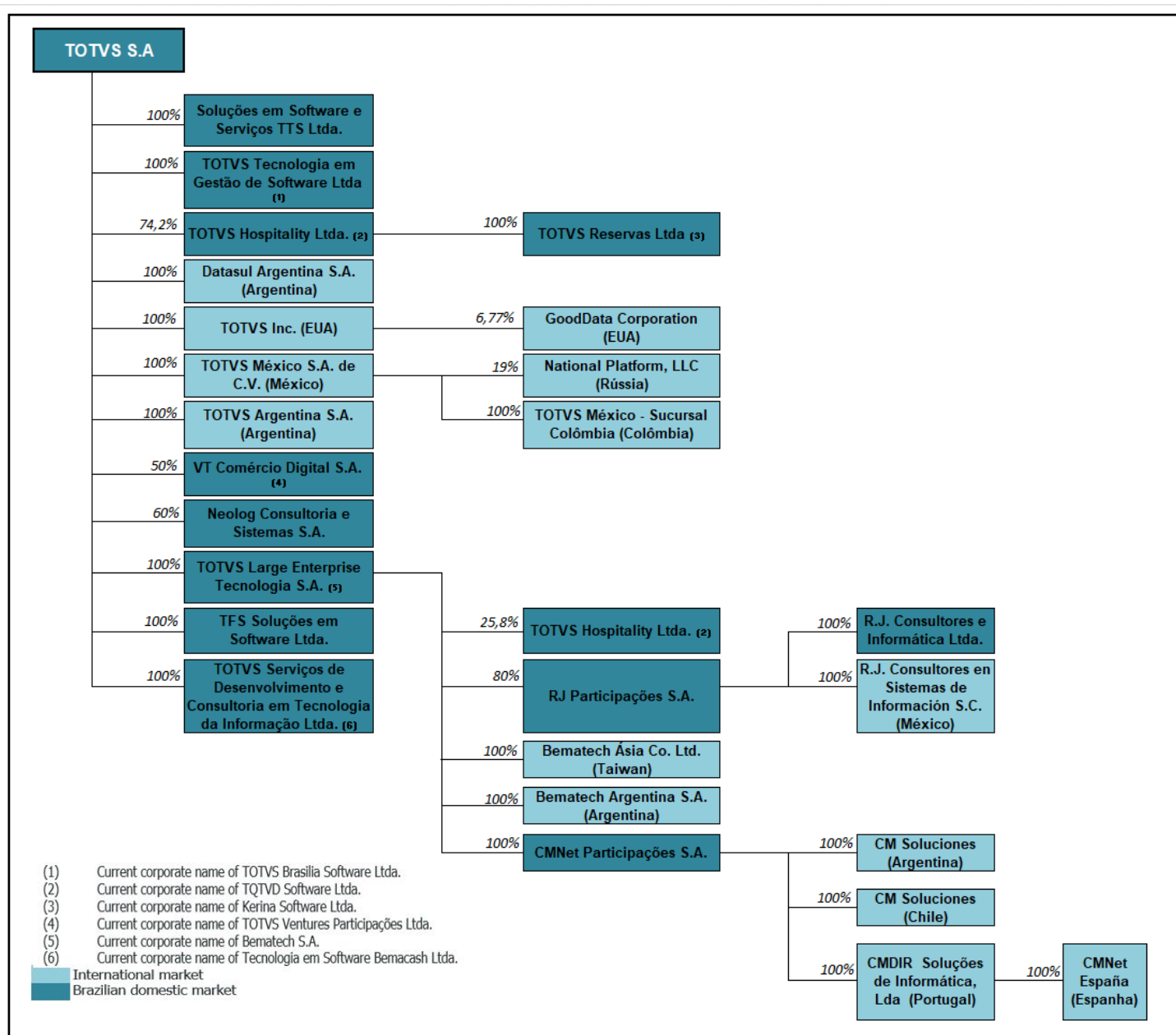
### • Company's organizational chart on December 31, 2018:





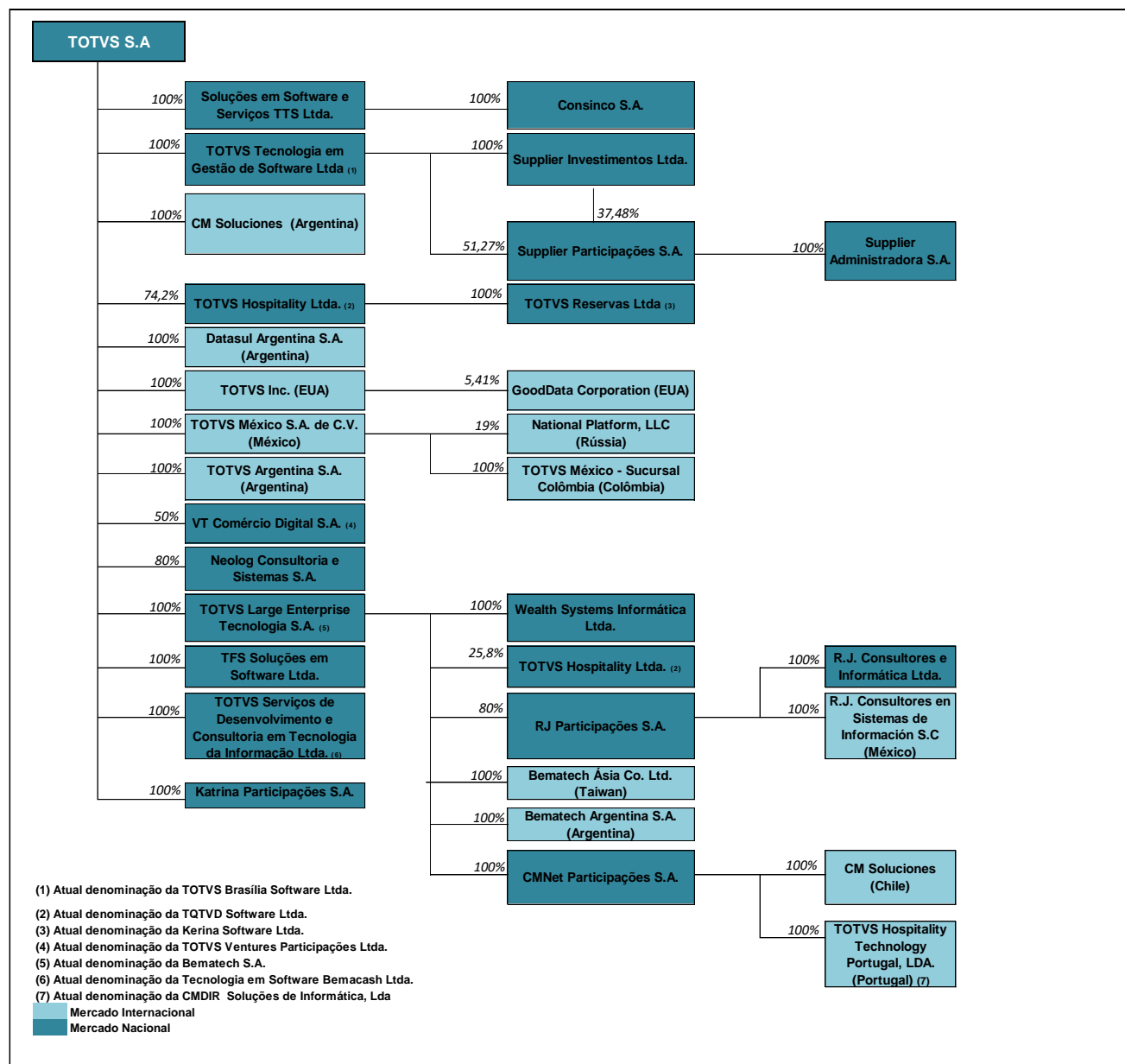


• **Company's organizational chart on December 31, 2019:**





• **Company's organizational chart on December 31, 2020:**





## 16.1 – Description of rules, policies and practices of the issuer in terms of transactions with related parties

Transactions with parties related to the Company are always carried out in compliance with the Brazilian Corporate Law and best corporate governance practices, and are contracted at usual market prices and conditions and therefore do not generate any benefit or loss to the Company or to any other parties. In addition, the transactions performed by the Company, including those executed with related parties, are always supported by the due prior analysis of their conditions and TOTVS' clear interest in performing them. In this sense, the Company negotiates contracts to be signed with related parties on an individual basis, analyzing their terms in relation to those practiced in the market, as well as the specific characteristics of each transaction (such as terms, amounts, compliance with quality standards, etc.). Individuals with no personal interests in the matters negotiated take part in the negotiations thereof.

The Company also has a policy on related parties setting forth all procedures, principles and methodology for the approval of related party transactions and for managing potential conflict of interest situations. This policy was reviewed and approved by the Board of Directors on March 11, 2019, made public on March 20, 2019, and can be found on the Company's Investor Relations website at <https://ri.totvs.com/en/corporate-governance/by-laws-policies-and-charters/>.

Among this policy's main points, highlight goes to the following ones:

- Each of management's key individuals along with those who have significant influence should complete a questionnaire annually which is designed to collect information regarding parties related to them, in accordance with the definitions of the aforesaid policy, and about any transactions between them and the Company of which they are aware, and should obtain information from close family members and managers of the respective entities, if this is applicable.
- TOTVS's Compliance area will maintain an up-to-date record identifying key management personnel, as well as those with significant influence, as well as related parties, which should be consulted by those responsible for transactions prior to their completion, in order to check as to whether the respective transaction may be a related party transaction.
- The Company's key management personnel and those with significant influence will be briefed, and periodically advised, regarding the obligation to inform Risk and Compliance of any potential related party transaction of which they become aware.
- Any transaction that may qualify as a Related Party transaction should be reported to the Compliance area, which is responsible for issuing an opinion, together with the Legal Department, in order to determine whether the transaction actually constitutes a Related Party Transaction that is subject to the procedures of said policy.
- Such transactions should be accompanied by the information necessary for their analysis, as well as evidence and the opinion of the manager responsible for carrying out the transaction that (a) there are clearly demonstrable reasons, from the point of view of the Company's business, for the Transaction to be carried out with the Related Party, and (b) the transaction is conducted on terms at least equally favorable to the Company as those generally available on the market or those offered to, or by, a third party which is not related to the Company, in equivalent circumstances, also taking into account its monitoring cost by the Company.
- All transactions with Related Parties should be submitted to the Board of Directors for approval, in accordance with TOTVS Bylaws. To this end, the transaction should previously be submitted to TOTVS Audit Committee, accompanied by the opinion of TOTVS Compliance area and of its Legal Department,



which is responsible for assessing whether the guidelines of the aforesaid have been observed in the fact-finding process regarding the transaction under analysis.

- Related party transactions should be entered into in writing, specifying their main characteristics and conditions, such as price, terms, guarantees, conditions for termination, liability for tax collection and obtaining of licenses, among other things. These characteristics should also expressly include the possibility of termination by the Company of any related party transaction that may be automatically renewed, under conditions equivalent to those available in agreements with unrelated parties.
- Members of the Board of Directors or the Board of Directors, as well as the Audit Committee and its members, at their discretion, will have access to all documents related to related party transactions, including any technical reports or opinions they may have received.
- The Board of Directors should define the content and format of the information that is deemed to be necessary for its deliberation in relation to a Related Party transaction, which should be distributed at the same time as the calling of the meeting at which the transaction will be submitted for analysis.
- The Board of Directors may approve the related party transaction if it concludes, in good faith, that the transaction is equitable and is in the Company's interest, and, at its discretion, make approval of the aforesaid transaction dependent upon those changes that it deems necessary so that the transaction takes place on an equitable basis and is in the Company's interest.



## 16.2 – Information on transactions with related parties

Related party	Transaction date	Amount involved (Brazilian Real - BRL)	Existing balance	Amount (Reals)	Duration	Loan or other type of debt	Interest rate charged
Supplier Administradora de Cartões de Crédito S.A.	Apr. 30, 2020	47,688.71	-	42,323.73	Indefinite	NO	0.000000
<b>Relationship with the issuer</b>	Agreement entered into between the Company and Supplier Administradora de Cartão de Crédito S.A., in which TOTVS S.A. indirectly holds 88.75% of the capital stock of Supplier Administradora de Cartão de Crédito S.A.						
<b>Contract purpose</b>	Software service agreements (licenses, support, and maintenance). Agreements in force are readjusted annually according to the IPCA rate variation.						
<b>Collaterals and insurance</b>	N/A						
<b>Termination or end</b>	The parties may terminate the agreement upon 90-day prior notice without penalties being applied, or for non-payment by the client/customer and the lack of services/accesses provided by the Company.						
<b>Nature and purpose of operation</b>	N/A						
<b>Company's contractual status</b>	Creditor	<b>Please specify</b>					



Related party	Transaction date	Amount involved (Brazilian Real - BRL)	Existing balance	Amount (Reals)	Duration	Loan or other type of debt	Interest rate charged
Instituto da Oportunidade Social	Feb. 19, 2018	8,846,880.57	-	-	Indefinite	NO	0.000000
<b>Relationship with the issuer</b>	<p>The Company is the main sponsor of the Social Opportunity Institute (IOS), in which it is responsible for funding more than 50% of its annual budget.</p> <p>In line with the decision by the Board of the Brazilian Securities and Exchange Commission, within the scope of Administrative Proceeding 19957.001316/2020-08, issued on July 7, 2020, when evaluating the nature of the partnership with IOS, we started to disclose the relationship with such non-profit organization as a transaction with a related party of TOTVS in the annual presentation of this Reference Form, and all contributions made were submitted to our Board of Directors to ratify its terms, as provided for in section 5.5 of our Policy on Transactions with Related Parties.</p>						
<b>Contract purpose</b>	The funds contributed to IOS are made through sponsorships and donations, which may be made by granting financial resources, goods, and the right to use licenses and solutions developed and sold by TOTVS.						
<b>Collaterals and insurance</b>	N/A						
<b>Termination or end</b>	N/A						
<b>Nature and purpose of operation</b>	TOTVS, in line with its social strategy, has been voluntarily supporting IOS since its foundation in 1998, and centralizes its annual social investment in projects developed by IOS.						
<b>Company's contractual status</b>	Debtor.	<b>Please specify</b>					



Related party	Transaction date	Amount involved (Brazilian Real - BRL)	Existing balance	Amount (Reals)	Duration	Loan or other type of debt	Interest rate charged
GoodData Corporation	Jun 11, 2013 Jun 15, 2015	31,242,947.26	-	2,115,147.53	Indefinite	NO	0.000000
<b>Relationship with the issuer</b>	<p>Agreements entered into between the Company and GoodData Corporation, in which the Company holds, through its subsidiary TOTVS, Inc., approximately 6.77% of the total capital stock of GoodData. TOTVS, Inc. is a party of GoodData's <i>Stockholders' Voting Agreement</i>, which entitles Totvs to nominate members to compose <i>GoodData's Board</i>.</p> <p>Based on the analyses of the shareholders' agreement, such transaction was identified as a transaction between related parties, so we started to disclose the relationship with this related party in the annual presentation of this Reference Form, and all contributions made were submitted to our Board of Directors to ratify its terms, as provided for in section 5.5 of our Policy on Transactions with Related Parties.</p>						
<b>Contract purpose</b>	Software service agreements (licenses, support and maintenance) and distribution of the GoodData Platform. The supplier, after the first year of the agreement, reserves the right to change the amounts annually to reflect commercially reasonable price changes.						
<b>Collaterals and insurance</b>	N/A						
<b>Termination or end</b>	Automatic annual renewal, and the parties can terminate the agreement upon 30 days' notice with no penalty.						
<b>Nature and purpose of operation</b>	Provision of software services and distribution of the GoodData Platform						
<b>Company's contractual status</b>	Debtor.	<b>Please specify</b>					



Related party	Transaction Date	Amount involved ( <i>Reais</i> )	Existing balance	Amount ( <i>Reais</i> )	Duration	Loan of or other type of debt	Interest rate charged
Inovalli Administração de Obras, Engenharia e Empreendimentos Imobiliários Ltda.	12/31/2019	182,543.19	-	50,199.38	Indefinite	NO	0.000000
<b>Relation with the issuer</b>	Inovalli is one of TOTVS's customers and owns the product "FLUIG 100 USUARIOS" and Cloud rental. Laércio José de Lucena Cosentino owns 27.5% of Inovalli's capital.						
<b>Purpose of the agreement</b>	Monthly fee for use of software.						
<b>Guarantee and insurance</b>	N/A						
<b>Termination or extinction</b>	The parties may terminate the agreement with prior notice without penalties, or also in case of non-payment on the part of the client and failure to provide services/accesses by the Company.						
<b>Nature and reason for the transaction</b>	N/A						
<b>Contractual position of the issuer</b>	Creditor	<b>Specify</b>					





Related party	Transaction Date	Amount involved (Reais)	Existing balance	Amount (Reais)	Duration	Loan of or other type of debt	Interest rate charged
VIP IV Empreendimentos e Participações Ltda.	06/01/2019	4,771,200.00	4,024,967.28	1,883,192.64	03/31/2023	NO	0.000000
<b>Relation with the issuer</b>	Agreement entered into between the Company and VIP IV Empreendimentos e Participações Ltda. ("VIP IV"), indirectly held by Laércio José de Lucena Cosentino, owner of 39.5% of the capital of VIP IV.						
<b>Purpose of the agreement</b>	Commercial Lease Agreement of the property located at Av. Braz Leme, No. 1793, São Paulo/SP. The contract is to be adjusted on an annual basis in accordance with the variation in the IGP-M during the period.						
<b>Guarantee and insurance</b>	N/A with regard to the guarantee. The Company's obligation to take out insurance against fire for the properties, based on their updated value.						
<b>Termination or extinction</b>	In the case of contractual breach, a fine corresponding to three monthly rents.						
<b>Nature and reason for the transaction</b>	Location of the Company's datacenter.						
<b>Contractual position of the issuer</b>	Debtor	<b>Specify</b>					



### **16.3 - Identification of measures taken for handling conflicts of interests and proof of the strictly commercial nature of the conditions agreed and proper compensatory payment**

The Board of Directors of TOTVS S.A. has established, through the policy mentioned in item 16.1 guidelines and procedures to ensure that transactions between Related Parties and TOTVS or its subsidiaries are conducted in the best interest of TOTVS or its subsidiaries, as the case may be, and are based on the principles of transparency and arm's length basis. Similarly, the policy is designed to prevent and manage situations of potential conflict of interest when carrying out Transactions involving Related Parties.

In order to ensure that the protection mechanisms defined in the policy regarding conflict of interest are triggered, the Policy provides for the possibility of reporting by anyone who is aware of a situation that may qualify as a Related Party Transaction, with it being up to the Compliance area, in conjunction with the Legal Department, to issue an opinion to determine whether the transaction in fact constitutes a Related Party Transaction that is subject to the procedures of the Policy.

In addition, in situations where related party transactions require approval, the person involved in the approval process who has a potential private benefit or conflict of interest with the decision to be made should declare himself or herself impeded from taking part in the decision, explaining his or her involvement in the transaction, and if requested, provide details of the transaction and of the parties involved. The impediment should be stated in the minutes of the meeting of the corporate body that makes the decision regarding the transaction and the individual in question remove himself or herself from the discussions and deliberations.

In their analysis, the Board of Directors and the Audit Committee should take into account the following factors: (a) whether or not there are clearly demonstrable reasons from the Company's business point of view for the Related Party Transaction; (b) whether or not the transaction is carried out on terms at least equally favorable to the Company as those generally available on the market or those offered to or by a third party which is not related to the Company, in equivalent circumstances, taking into account the Company's cost of monitoring the transaction; (c) the results of assessments made or opinions issued by a specialized independent firm, if there are any; (d) whether or not a competitive process was carried out for the aforesaid engagement and its outcome; (e) the pricing methodology used and other possible alternative forms of pricing of the transaction; and (f) the extent of the Related Party's interest in the transaction, bearing in mind the amount of the transaction, the financial situation of the Related Party, the direct or indirect nature of the Related Party's interest in the transaction and the continuing or otherwise nature of the transaction, and any other aspects that it considers to be relevant.

In the process of approving Related Party Transactions, the Board of Directors and the Audit Committee should analyze the following information, as well as any other information that they deem to be relevant for the analysis of the specific transaction: (a) the terms of the transaction; (b) the Related Party's interest and the impact of the approval of the transaction on its commitment to TOTVS; (c) the purpose and timing of the transaction; (d) whether or not the Company is a party to the transaction and, if not, the nature of its participation; (e) if the transaction involves the sale of an asset, the description of the asset, including its acquisition date and its book value or assigned cost; (f) information about potential counterparties in the transaction; (g) the approximate financial amount of the transaction, as well as the amount of the Related Party's interest; (h) a description of any provisions or limitations imposed on the Company as a result of the execution of the transaction; (i) whether or not the transaction involves any reputational risk to the Company; and (j) any other information that may be relevant to the shareholders and investors, in light of the circumstances of the specific transaction.

In the lease of the Company's headquarters, the process of analysis and selection of the property was carried out by an independent consultancy. In addition, the consultancy also handled the process of financial negotiation of the alternatives. The Company's Compensation and People Committee and Audit Committee reviewed both studies carried out by the consultancy as well as TOTVS's contractual protection clauses, in the event of non-compliance with the execution schedule and/or with the technical specifications, and recommended that the Board of Directors approved the transaction.



#### **16.4 – Other material information – Transaction with Related Parties**

The Company has not identified other relevant information related to this item.



### 17.1 – Information on capital stock

Date of authorization or approval	Amount of capital (Reais)	Deadline for payment	Number of common shares (Units)	Number of preferred shares (Units)	Total number of shares (Units)
<b>Type of capital</b>	<b>Issued Capital</b>				
04/20/2021	1,519,412,187.27		577,913,181	0	577,913,181
<b>Type of capital</b>	<b>Subscribed Capital</b>				
04/20/2021	1,519,412,187.27		577,913,181	0	577,913,181
<b>Type of capital</b>	<b>Paid-In Capital</b>				
04/20/2021	1,519,412,187.27		577,913,181	0	577,913,181
<b>Type of capital</b>	<b>Authorized Capital</b>				
04/20/2021	4,000,000,000.00		577,913,181	0	577,913,181
<b>Type of capital</b>	<b>Issued Capital</b>				
04/27/2020	1,382,508,564.43	-	577,913,181	0	577,913,181
<b>Type of capital</b>	<b>Subscribed Capital</b>				
04/27/2020	1,382,508,564.43	-	577,913,181	0	577,913,181
<b>Type of capital</b>	<b>Paid-In Capital</b>				
04/27/2020	1,382,508,564.43	-	577,913,181	0	577,913,181
<b>Type of capital</b>	<b>Issued Capital</b>				
05/28/2019	1,382,508,564.43	-	192,637,727	0	192,637,727
<b>Type of capital</b>	<b>Subscribed Capital</b>				
05/28/2019	1,382,508,564.43	-	192,637,727	0	192,637,727
<b>Type of capital</b>	<b>Issued Capital</b>				
05/28/2019	1,382,508,564.43	-	192,637,727	0	192,637,727
<b>Type of capital</b>	<b>Authorized Capital</b>				
05/16/2019	2,500,000,000.00	-	0	0	0



Type of capital	Issued Capital				
04/05/2018	1,041,228,564.43	-	165,637,727	0	165,637,727
Type of capital	Paid-In Capital				
04/05/2018	1,041,228,564.43	-	165,637,727	0	165,637,727
Type of capital	Subscribed Capital				
05/04/2018	1,041,228,564.43	-	165,637,727	0	165,637,727
Type of capital	Authorized Capital				
04/20/2017	1,300,000,000.00	-	0	0	0



## 17.2 – Capital stock increases

Date of resolution	Body that resolved on the increase	Date of issue	Total amount of issue (Reais)	Type of increase	Common shares (Units)	Preferred shares (Units)	Total shares (Units)	Subscription/Previous Capital	Issue Price	Price quote Factor
04/20/2017	Board of Directors	04/20/2017	448,466,498.84	Without issue of shares	0	0	0	0	0	R\$ per Unit
<b>Criteria for setting the issue price</b>		N/A								
<b>Form of Payment</b>		N/A								

Date of resolution	Body that resolved on the increase	Date of issue	Total amount of issue (Reais)	Type of increase	Common shares (Units)	Preferred shares (Units)	Total shares (Units)	Subscription/Previous Capital	Issue Price	Price quote Factor
04/05/2018	Board of Directors	04/05/2018	51,387,796.01	Without issue of shares	0	0	0	0	0	R\$ per Unit
<b>Criteria for setting the issue price</b>		N/A								
<b>Form of Payment</b>		N/A								



Date of resolution	Body that resolved on the increase	Date of issue	Total amount of issue (Reais)	Type of increase	Common shares (Units)	Preferred shares (Units)	Total shares (Units)	Subscription/Previous Capital	Issue Price	Price quote Factor
05/22/2019	Board of Directors	05/28/2019	341,280,000.00	Public Subscription	27,000,000	0	27,000,000	32.78776665	12.64	R\$ per Unit
<b>Criteria for setting the issue price</b>		<p>To approve the price of thirty nine <i>Reais</i> and fifty cents (R\$39.50) for the issue, by the Company, of each common share in the context of the Offering ("Price per Share"), which was fixed after the conclusion of the Bookbuilding Procedure, having as parameters: (i) the quoted price of the common shares issued by the Company on the B3 S.A. - Brasil, Bolsa, Balcão ("B3"); and (ii) the indications of interest based on the quality and quantity of demand (by volume and price) for the shares. Under the terms of article 170, paragraph 1, item III, of Law no. 6404, of December 15, 1976 ("Brazilian Corporate Law"), the choice of the criterion for determining the Price per Share is justified because it has been obtained through the Bookbuilding Procedure and, therefore, did not cause any unjustified dilution to the Company's shareholders.</p> <p>To determine that, out of the Price per Share of thirty nine Reais and fifty cents (R\$39.50): (i) twelve Reais and sixty four cents (R\$12.64) will be allocated to the capital stock, totaling three hundred and forty one million, two hundred and eighty thousand Reais (R\$341,280,000.00); and (ii) the balance, of twenty-six Reais and eighty-six cents (R\$26.86) per share, will be allocated for setting up a capital reserve, pursuant to line 'a' of paragraph 1 of Article 182 of the Brazilian Corporate Law, totaling seven hundred and twenty-five million, two hundred and twenty thousand <i>Reais</i> (R\$725.220.000,00).</p>								
<b>Form of Payment</b>		Paid in cash at the time of subscription in domestic currency (R\$).								

Date of resolution	Body that resolved on the increase	Date of issue	Total amount of issue (Reais)	Type of increase	Common shares (Units)	Preferred shares (Units)	Total shares (Units)	Subscription/Previous Capital	Issue Price	Price quote Factor
04/20/2021	Board of Directors	04/20/2021	136,903,622.84	Without issue of shares	0	0	0	0	0	R\$ per Unit
<b>Criteria for setting the issue price</b>		N/A								
<b>Form of Payment</b>		N/A								



### 17.3 – Information on share splits, reverse splits and stock dividends

Approval	Deliberation date	Number of stocks before approval			Number of stocks before approval		
		Common	Preferred	Total	Common	Preferred	Total
Split (1:3)	04/27/2020	192,637,727	-	192,637,727	577,913,181	-	577,913,181

### 17.4 - Information on capital stock reductions

#### Justification for not completing the table:

There was no reduction in capital stock.





## 17.5 – Other material information

### **In addition to itens 17.1 and 17.2**

On April 20, 2021, the Company's Extraordinary Shareholders Meeting approved that the capital stock be increased in the amount of R\$136,903,622.84 (one hundred and thirty-six million, nine hundred and three thousand, six hundred and twenty-two Reals and eighty-four cents), without issuing new shares, through the capitalization of the retained earnings reserve resulting from the capital budgeting, with the consequent amendment of the caput of art. 5 of the Company's bylaws, which will become effective with the following wording:

*"Article 5 - The Company's fully subscribed and paid-in capital is of R\$1,519,412,187.27 (one billion, five hundred and nineteen million, four hundred and twelve thousand, one hundred and eighty-seven Reals and twenty-seven cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares, with no par value. "*

On April 20, 2021, the Company's Extraordinary Shareholders Meeting approved to change the limit of the authorized capital from R\$2,500,000,000 (two billion and five hundred million Reals) to R\$4,000,000,000 (four billion Reals), with the consequent amendment to the caput of Article 6 of the Company's Bylaws. This amendment aims at allowing the Board of Directors to approve capital increases more quickly, with a view to perform the Company's business plan and its corporate purpose without the need of amending the bylaws. The proposed change has no other legal or economic effect.

### **In addition to item 17.3**

On April 27, 2020, the Company's Extraordinary Shareholders Meeting approved the of the stock split of all the common shares issued by the Company in the ratio of one common share for three of the same type without any change in the capital stock. To make it clear, for each common share currently held, the shareholder will receive, as a result of the split, two more shares of the same type so that they will have a total of three common shares of the Company (1:3). Consequently, the number of common shares in which the Company's capital is divided changed from 192,637,727 to 577,913,181 shares.



## 18.1 – Rights of shares

Share or CDA type:	<b>Common</b>
Tag along:	100.000000
Right to dividends:	The shares guarantee their holders the right to a mandatory dividend, in each fiscal year, equivalent to 25% of the adjusted net income pursuant to article 202 of Brazilian Corporate Law. In addition, according to the Company's Bylaws and Brazilian Corporate Law, the holders of common shares have are entitled to receive dividends or other distributions made in relation to common shares, proportional to their interests in the capital stock.
Voting rights:	Full
Convertibility:	No
Right to capital refund:	Yes
Description of the capital refund characteristics:	See item 18.12 of this form
Restriction on free float:	No
Redeemable	No
Redemption situations and formula for calculating the redemption amount	
Conditions for changing the rights guaranteed by those securities:	See item 18.12 of this form
Other material characteristics:	TOTVS is listed in "Novo Mercado", the most advanced corporate governance level for Companies listed on the BM&FBOVESPA, and adopts practices that exceed the requirements related to corporate governance and shareholders' rights, in accordance with the Novo Mercado Listing Rules.



## 18.2 – Description of any statutory rules that limit the right to vote of significant shareholders or that oblige them to make a public offering

### Voting Limit

There are no rules in the Bylaws that limit or restrict the right to vote of the Company's stockholders. Chapter VII of the Company's Bylaws includes rules governing the holding of public offerings for the acquisition of shares in case of sale of the shareholding control, acquisition of material equity interests, cancellation of the adjusted as a publicly-traded company registration and exclusion from the Novo Mercado.

### Offerings

Transcribed below are the clauses of TOTVS Bylaws, including provisions of events related to the obligation to undertake public offerings:

**Article 42** - The direct or indirect disposal of the Company's ownership control (as defined in Paragraph 1 of this Article), either through a single or successive operations, shall be contracted under either a suspensive or resolutive condition that the party acquiring Ownership Control be obliged to undertake an Initial Public Offering ("IPO") for the acquisition of shares of the other shareholders, subject to any conditions and terms set forth in the prevailing legislation and the Novo Mercado Regulation, so that such shareholders are entitled to the same treatment as the Selling Controlling Shareholder (as defined in Paragraph 1 of this article).

**Paragraph 1** - For purposes of the Bylaws, the expressions below commencing with capital letters shall have the following meanings: **"Controlling Shareholder"** means shareholder(s) or Group of Shareholders that control the Company. **"Selling Controlling Shareholder"** - means the controlling shareholder when it promotes the sale of the Company's control. **"Controlling Shares"** - means the block of shares that ensures their holder, directly or indirectly, individual and / or combined control of the Company. **"Acquirer"** means the party to whom the Controlling Shareholder transfers Controlling Shares in a Divestment of Control of the Company. **"Divestment of Control of the Company"** - means the transfer to third parties, against payment, of the Controlling Shares, securities convertible to voting shares, assignment of rights to subscribe shares and other securities or rights referring to the securities convertible to shares of the Company that may result in the acquisition of Control by the Acquiring Party. **"Group of Shareholders"** means a group of persons who are (i) bound by agreements or contracts of any nature, either directly or by means of Subsidiaries, Parent Companies or under common control; or (ii) among whom there is a controlling relationship; or (iii) under common control. **"Control"** means the power effectively used to manage the business and how the Company's bodies function, directly or indirectly, in fact or law, regardless of ownership interest held. **"Economic Value"** - means the value of the company and its shares to be determined by a specialized company, by using recognized methodology or based on other criteria that may be defined by the CVM.

**Paragraph 2** - In the event the acquisition of Control also obligates the Acquirer of Control to undertake the Initial Public Offering required pursuant to Article 43 of the Bylaws, the purchase price of the IPO shall be either as per Article 42 or Article 43, Paragraph 2 of the Company's Bylaws, whichever is greatest.

**Article 43** – Any shareholder or person who acquires or becomes a holder of the Company's shares in an amount equal to or exceeding twenty per cent (20%) of the Company's total shares shall, within a maximum of sixty (60) days from the date of acquisition or the event that resulted in ownership of shares equal to or exceeding twenty per cent (20%) of the Company's shares, undertake or request registration, as the case may be, of an IPO of the Company's total shares, with due regard for the provisions of the applicable regulations of the CVM, the Regulations of Novo Mercado, other regulations of B3 and the terms of Article 43 of the Bylaws.



**Paragraph 1** – The IPO shall be: (i) intended indistinctly for all Company shareholders; (ii) carried out in an auction held at B3; (iii) issued at a price determined in accordance with Paragraph 2 of Article 43 of the Bylaws; and (iv) paid in cash in Brazilian currency against acquisition in the IPO of the Company's shares.

**Paragraph 2** – The acquisition price in the IPO of each Company share cannot be less than the greater of **(i)** one hundred and twenty-five per cent (125%) of the highest share price attained by the Company's shares during the period of twelve (12) months preceding the IPO, or any stock exchange where the Company's shares are traded; **(ii)** one hundred and twenty-five per cent (125%) of the highest share price paid by the shareholder or person, at any time, for a Company share or batch of shares; **(iii)** or the Economic Value ascertained in a valuation.

**Paragraph 3** – Holders of shares representing at least ten per cent (10%) of the capital stock may request the preparation of a new valuation report in the same manner as that mentioned in section (iii) of Paragraph 2 of Article 43 of the Bylaws, but from a different institution. **(I)** If the new report arrives at a lower share price than that calculated in the manner of Paragraph 2 of Article 43 of the Bylaws, the higher price shall prevail and the shareholders who requested preparation of the valuation report shall bear the full cost thereof in proportion to their equity holding in the Company's capital stock. **(II)** In the event the report provided for in this paragraph arrives at a higher share price than that obtained in the manner of Paragraph 2 of Article 43 of the Bylaws, the shareholder or person may: **(1)** withdraw from the IPO, agreeing to divest the surplus holding, within three months from the acquisition date, and the costs of the new report shall be borne in full by the shareholders who requested its preparation, in proportion to their equity holding in the Company's capital stock; **(2)** undertake the IPO at the price indicated in the new report whose costs shall be borne by the Company.

**Paragraph 4** – In the event the price of the IPO is revised in the manner provided for in Paragraph 3 of Article 43 of the Bylaws, and provided there is no withdrawal by the shareholder or person, the auction will commence with the new price, and material fact shall be published informing the price review and the maintenance or withdrawal of the IPO.

**Paragraph 5** – The revision of the IPO price shall adopt the following procedure:

**(i)** the request for preparation of a new valuation report on the Company's share price based on the Economic Value properly grounded and accompanied by convincing elements that show the failure or lack of precision in employing the calculation methodology or in the valuation criteria adopted shall be formulated within fifteen (15) days from disclosure of the value of the public offering, and will suspend the registration process proceedings or, where this has already been granted, the tenor of the IPO notice, postponing the respective auction, and the shareholder or person shall arrange for publication of a material fact advising of the postponement and the date designated for holding a meeting of the Board of Directors which will resolve on the choice of the specialized company that will prepare the report;

**(ii)** if the Board of Directors resolves not to undertake a new valuation of the Company, the registration process procedure, or the IPO itself, shall resume for the remaining period, as the case may be, and the shareholder or person shall arrange, in this latter case, for the publication of a material fact containing the new date for holding the auction;

**(iii)** if the valuation report arrives at an amount equal to or less than that of the IPO obtained in the manner of Paragraph 2 of Article 43 of the Bylaws, the registration process procedure or the IPO itself shall resume for the remaining period, as the case may be and the shareholder or person shall arrange, in this latter case, for the publication of a material fact containing the new date for holding the auction;

**(iv)** in the event the valuation report ascertains an amount that exceeds that of the IPO obtained in the manner of Paragraph 2 of Article 43 of the Bylaws, the shareholder or persons shall arrange to publish, within five (5) days from the date of presentation of the report, a material fact advising if the IPO is to be maintained or their



withdrawal from it clarifying, in the former case, that the registration process procedure or the IPO itself shall resume for the remaining period, as the case may be, and the shareholder or person shall arrange, in this latter case, for the publication of a material fact containing the new date for holding the auction and the new price;

**(v)** the period of fifteen (15) days referred to in subparagraph (i) of Paragraph 5 will only commence following delivery of the original valuation report to the CVM, or after it has been made available in the manner of section (viii) of Paragraph 5 of Article 43 of the Bylaws, if this occurs first, and the shareholder or person shall publish a material fact advising of said delivery;

**(vi)** the meeting of the Board of Directors that resolves to undertake a new valuation shall appoint the person responsible for preparing the report, approve their compensation, set a deadline not to exceed thirty (30) days for completion of the services, and determine that the report be forwarded to the Company in the person of its Investor Relations Officer, the stock exchange in which the auction is to take place and the CVM, in addition to also forwarding it to the latter's electronic address in the specific format indicated by the CVM;

**(vii)** the institution responsible for preparing the valuation report shall also, on the same date of delivery of the report to the CVM, notify the intermediary institution operating the IPO, as provided for in Article 4, IV of CVM Instruction 361 dated March 5, 2002 ("CVM Instruction 361"), as to the outcome of the valuation, so that the latter and the shareholder can make the appropriate arrangements, including those provided for in subsections (iii) and (iv) of Paragraph 5 of Article 43 of the Bylaws.

**(viii)** the valuation report dealt with in this Paragraph 5 will be available in the same places and in the same format as the valuation report dealt with in Article 8 of CVM Instruction 361; and

**(ix)** the meeting of the Board of Directors referred to in this Paragraph 5 shall necessarily indicate the name of the shareholders who requested the preparation of a new report for the purposes of imposition, as the case may be, of the provisions of Paragraph 3, (I) and (II.2) of Article 43 of the Bylaws.

**Paragraph 6** – Holding the IPO mentioned in the main paragraph of Article 43 of the Bylaws will not exclude the possibility of another Company shareholder or, as the case may be, the Company itself from formulating a competing IPO pursuant to the applicable regulations.

**Paragraph 7** – The shareholder or person shall be obligated to respond to any requests or demands from the CVM formulated on the basis of the applicable legislation concerning the IPO, within the maximum deadlines stipulated in the applicable regulations.

**Paragraph 8** - In the event the shareholder or person fails to comply with the obligations imposed by this article, including with regard to meeting the maximum deadlines (i) for holding or requesting registration of the IPO; or (ii) for responding to any requests or demands from the CVM or fulfilment of the obligations provided for in Article 52 of the Bylaws, the Company's Board of Directors will convene an Extraordinary Shareholders' Meeting at which the shareholder or person will not be able to vote, to resolve on the suspension of the exercise of the rights of the shareholder or person who has failed to comply with any obligation imposed by this Article, as per Article 120 of Brazilian Corporate Law, without prejudice to the shareholder or person being liable for any damages or losses caused to the other shareholders arising from non-compliance with the obligations imposed by this Article.

**Paragraph 9** – Any shareholder or person acquiring or becoming the owner of other rights, including usufruct or trust, to the Company's shares in an amount equal to or exceeding twenty per cent (20%) of the Company's total shares, will be equally obligated, within a maximum term of sixty (60) days from the date of said acquisition or the event that resulted in ownership of the rights in an amount equal to or exceeding twenty per cent (20%) of the Company's total shares, to undertake or request registration, as the case may be, of an IPO in the terms described in this Article.



**Paragraph 10** – The obligations shown in Article 254-A of Brazilian Corporate Law and Article 42 of the Bylaws do not exclude compliance by the shareholder or person with the obligations shown in Article 43 of the Bylaws, with the exception of the provisions of Articles 50 and 51 of the Bylaws.

**Paragraph 11** – The provisions of this Article do not apply in cases where a person becomes a holder of more than 20% (twenty per cent) of the Company's total shares arising from: (i) legal succession, on the condition that the shareholder divests the surplus shares within 60 (sixty) days from the material event; (ii) the merger of another company into our Company; (iii) the incorporation of the shares of another company by our Company; or (iv) subscription of our Company's shares under a single primary issuance approved at a meeting of the Company's shareholders convened by our Board of Directors and whose proposed capital increase has determined the stipulation of the share issue price based on the economic value obtained from an economic and financial valuation report on the Company undertaken by a specialized company with proven experience in valuing publicly quoted companies.

**Paragraph 12** – The calculation of the 20% (twenty per cent) of the Company's total shares described in the main paragraph of Article 43 of the Bylaws will not factor in the involuntary increases in equity holdings resulting from cancellation of treasury shares or from the reduction in our Company's capital stock following the cancellation of shares.

**Paragraph 13** – In case the CVM regulations applicable to the IPO provided for in this Article set forth the adoption of a calculation criterion for setting the acquisition price of each Company share in the IPO, resulting in a higher acquisition price than that provided for in Paragraph 2 of Article 43 of the Bylaws, when the IPO provided for in this Article actually takes place, the price that shall prevail is the acquisition price calculated under the terms of CVM regulations.

**Paragraph 14** – Any change that limits the right of the shareholders to undertake the IPO provided for in this Article, or the exclusion of Article 43 of the Bylaws, will obligate shareholders who have voted in favor of that change of exclusion in the resolutions of the shareholders' meeting to undertake the IPO provided for in this Article, with due regard for the provisions in Paragraph 3 of Article 10 of the Bylaws.

**Article 44** – the public offering for the acquisition of shares to be undertaken by the Controlling Shareholder or by the Company to cancel the Company's registration as a publicly quoted company shall be at fair price in accordance with the applicable legal and regulatory rules.

**Article 45** – Voluntary delisting from Novo Mercado may occur (i) irrespective of undertaking the public offering for the acquisition of shares in the event of a waiver approved in a meeting of the Company's shareholders, pursuant to article 12, x of these Bylaws, or (ii) where such waiver is not forthcoming, if preceded by a public offering for the acquisition of shares that abides by the procedures provided for in the regulations of the CVM on public offerings for the acquisition of shares to cancel registrations of publicly quoted companies, and the following requisites:

- (i) the offering price must be fair, and it is therefore possible to request a new valuation of the Company in the manner set out in Article 4 – A of Brazilian Corporate Law; and
- (ii) shareholders with more than 1/3 (one-third) of the shares in free float shall accept the public offering for the acquisition of shares or expressly agree to delist from the segment without selling the shares.

**Paragraph 1** - For the purpose of article 45, shares in free float are only those shares whose shareholders expressly agree to delist from Novo Mercado or who qualify for the auction of the public offering for the acquisition of shares as per the regulations of the CVM applicable to public offerings for the acquisition of publicly quoted companies to cancel registrations.





**Paragraph 2** – If the quorum mentioned in the paragraph above is reached: (i) the party accepting the public offering for the acquisition of shares may not be subjected to pro-rating when divesting their equity holding, with due regard for the waiver procedures of the limits provided for in the CVM regulations applicable to public offerings for the acquisition of shares, and (ii) the offering party shall be obligated to acquire the remaining shares in free float for the term of 1 (one) month from the date the auction is held, at the final price of the public offering for acquisition of shares restated up to the actual date of payment in accordance with the call notice and prevailing regulations, which shall occur within a maximum of 15 (fifteen days) from the date on which the shareholder exercises the entitlement.

**Article 46** – In the event of no Controlling Shareholder, if it is decided that the Company is to delist from Novo Mercado so that the securities it has issued can then be registered for trading outside Novo Mercado, or by virtue of a corporate reorganization operation in which the securities of the company resulting from this reorganization are not admitted for trading on Novo Mercado within 120 (one hundred and twenty) days from the date of the shareholders' meeting that approved that operation, the delisting will be conditional on holding a public offering for acquisition of shares on the same conditions provided for in article 45 above.

**Paragraph 1** – That same shareholders' meeting shall define those responsible for undertaking the public offering for acquisition of shares who, present at the meeting, shall expressly accept the obligation to undertake the offering.

**Paragraph 2** – Where there is no definition of those responsible for undertaking the public offering for acquisition of shares in the event of a corporate reorganization operation in which the securities of the company resulting for this reorganization are not admitted for trading on Novo Mercado, it will be the responsibility of the shareholders who voted in favor of the corporate reorganization to undertake that offering.

**Paragraph 3** – The public offering for acquisition of shares for the purposes of this article shall abide by the procedures for public offerings for cancellation of registrations.

**Article 47** – In the event there is no Controlling Shareholder and B3 determines the suspension of trading in the Company's securities on Novo Mercado on account of non-compliance with obligations contained in the Regulations of Novo Mercado, the Chairman of the Board of Directors shall convene within 2 (two) days from said ruling, considering only those days when the newspapers habitually used by the Company circulate, an extraordinary shareholders' meeting to replace the entire Board of Directors.

**Paragraph 1** – If the Extraordinary Shareholders' Meeting referred to in the main paragraph of Article 47 is not convened by the Chairman of the Board of Directors within the established deadline, it may be convened by any shareholder of the Company.

**Paragraph 2** – The new Board of Directors elected at the Extraordinary Shareholders' Meeting mentioned in the main paragraph and in Paragraph 1 of Article 47 of the Bylaws shall put right the non-compliance with the obligations contained in the Regulations of Novo Mercado in as short a space of time as possible, or within a new deadline granted by B3 for that purpose, whichever is shorter.

**Article 48** – The Company's delisting from Novo Mercado due to non-compliance with the obligations stipulated in the Regulations of Novo Mercado is conditional on undertaking a public offering for acquisition of shares in accordance with Article 45 of the Bylaws, with due regard for the applicable legal and regulatory rules.

**Paragraph 1** - The Controlling Shareholder shall undertake the public offering for acquisition of shares provided for in the main paragraph of this article.

**Paragraph 2** - If there is no Controlling Shareholder and the delisting from Novo Mercado referred to in the main paragraph arises from the resolution of the shareholders' meeting, shareholders who have voted in favor



of the resolution that implied the respective non-compliance shall undertake the public offering for acquisition of shares provided for in the main paragraph.

**Paragraph 3** - If there is no Controlling Shareholder and the delisting from Novo Mercado referred to in the main paragraph arises from an act or fact of management, the Company's managers shall convene a general meeting of shareholders whose order of the day will be to resolve on how to put tight the non-compliance with the obligations stipulated in the Regulations of Novo Mercado or, as the case may be, to resolve on the Company's delisting from Novo Mercado.

**Paragraph 4** – If the meeting of shareholders mentioned in Paragraph 3 above resolves on the Company's delisting from Novo Mercado, that meeting of shareholders shall designate those responsible for undertaking the public offering for acquisition of shares provided for in the main paragraph who, present at the meeting, shall expressly assume the obligation to undertake the offering.

**Article 49** – The valuation report of the Company for determining the fair price and/or economic value, as the case may be, shall be prepared by a specialized company with proven experience and independence with regard to the power of decision of the Company, its Managers and/or its Controlling Shareholders, and the report shall also meet the requisites of Paragraph 1 of Article 8 of Brazilian Corporate Law and contain the accountability provided for in Paragraph 6 of that same Article 8.

**Sole Paragraph** – The costs of preparing the valuation report shall be borne in full by those responsible for undertaking the public offering for acquisition of shares, as the case may be, with the exception of the provisions of Paragraph 3 of Article 43 of the Bylaws.

**Article 50** – Formulating a single IPO is possible with the aim of more than one of the purposes provided for in this Chapter VII, in the Regulations of Novo Mercado or in the regulations issued by the CVM, provided it is possible to establish compatibility among the procedures of all IPO modalities, and there is no loss to those for whom the offering is intended and the authorization of the CVM is obtained when required by the applicable legislation.

**Section 51** – The Company or the shareholders responsible for undertaking the IPO provided for in this Chapter VII, in the Regulations of Novo Mercado or in the regulations issued by the CVM may ensure it is undertaken through the intermediary of any shareholder, third party and, as the case may be, by the Company. The Company or shareholder, as the case may be, are not exempt from the obligation to undertake the IPO until this is concluded, with due regard for the applicable rules.

**Article 52** – Any shareholder or person who has subscribed and/or acquired the Company's shares in an amount equal to or exceeding 8% (eight per cent) of the Company's total equity and who wishes to make a new acquisition of the Company's shares via the stock exchange will be obligated, before each new acquisition to notify the Company in writing of their intention to acquire more Company shares at least 3 (three) business days in advance of the expected date set for making the new acquisition of shares, with due regard at all times for the terms of the prevailing legislation, the regulations of the CVM and the regulations of B3 applicable.





### **18.3 – Description of any exceptions or suspensive clauses related to equity or political rights set forth in the Bylaws**

Brazilian Corporate Law grants the meeting of shareholder right to suspend the exercise of rights by shareholders who fail to comply with obligations imposed by law or by the Company's Bylaws, such suspension ceasing immediately after that obligation has been fulfilled.

There are no statutory suspensive clauses involving equity or political rights.



## 18.4 – Trading volume and highest and lowest price quotes for securities trading

Fiscal Year 12/31/2020										
Quarter	Security	Type	Class	Market	Administrative Entity	Financial Volume Traded (Reais)	Highest price quote (Reais)	Lowest price quote (Reais)	Price quote factor	Average price quote (Reais)
03/31/2020	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	10,585,856,250	27.91	14,03	R\$ per Unit	22.52
06/30/2020	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	7,111,344,810	23.15	14,65	R\$ per Unit	19.79
09/30/2020	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	9,285,195,530	29.85	23,75	R\$ per Unit	27.01
12/31/2020	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	11,870,515,570	31.07	25,32	R\$ per Unit	27.51
Fiscal Year 12/31/2019										
Quarter	Security	Type	Class	Market	Administrative Entity	Financial Volume Traded (Reais)	Highest price quote (Reais)	Lowest price quote (Reais)	Price quote factor	Average price quote (Reais)
03/31/2019	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	2,208,652,156	13.13	9.42	R\$ per Unit	11.38
06/30/2019	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	3,114,712,160	15.09	12.83	R\$ per Unit	13.91
09/30/2019	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	5,040,235,370	19.33	14.57	R\$ per Unit	17.22
12/31/2019	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	6,272,515,020	22.90	18.74	R\$ per Unit	20.80
Fiscal Year 12/31/2018										
Quarter	Security	Type	Class	Market	Administrative Entity	Financial Volume Traded (Reais)	Highest price quote (Reais)	Lowest price quote (Reais)	Price quote factor	Average price quote (Reais)
12/31/2018	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	879,869,170	9.95	7.92	R\$ per Unit	8.85
09/30/2018	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	709,732,443	10.38	10.38	R\$ per Unit	9.10
06/30/2018	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	858,553,101	10.69	10.69	R\$ per Unit	9.74
03/31/2018	Shares	Common		Stock Change	B3 S.A. – Brasil, Bolsa, Balcão	779,167,786	11.22	11.22	R\$ per Unit	10.25



## 18.5 – Other securities issued in Brazil

Security type	Debentures
Security details	1 <sup>st</sup> Issue of Simple Debentures - TOTVS
Date of issue	09/15/2017
Expiration date	09/15/2020
Quantity (units)	200,000
Individuals (units)	0
Organizations (units)	0
Institutional Investors (units)	1
Global par value (R\$)	200,000,000.00
Outstanding debt balance	0
Restrictions to be outstanding	Yes
Details of restrictions	The offer of debentures was exclusively to qualified investors, as defined per Article 9-B of CVM Instruction n° 539, of November 13, 2013, as amended, and after 90 days from the date of each subscription or acquisition by professional investors, pursuant to articles 13 and 15 of CVM Instruction 476.
Convertibility	No
Possibility of redemption	Yes
Redemption and calculation of its amount	TOTVS may, at its sole discretion and at any time, make an offer for early redemption of the debentures for subsequent cancellation, addressed to all debenture holders without distinction, ensuring equal conditions to all debenture holders, to accept or not the early redemption of the Debentures held by them, in accordance with the terms and conditions.
Conditions for changing the rights guaranteed by such securities	Not applicable.
Other relevant characteristics	<p>Optional Purchase: The Company may, at any time and at its sole discretion, purchase the debentures, in compliance with Article 55, Paragraph 3 of Brazilian Corporate Law and the restrictions on trading set forth in CVM Instruction 476. Any debentures purchased by the Company may be canceled, once again placed in the market or held in the Company's treasury, which must be disclosed in the management report and the financial statements of the Company.</p> <p>Other characteristics of debentures, issue and offer: Other characteristics of conditions of debentures, issue and offer will be those specified in the Issue Indenture, in the Board of Director Meeting and the other documents.</p>

Note: According to the Notice to the Market ("Early redemption of simple debentures non-convertible into shares") released on August 5, 2020, the debentures were redeemed in advance.



Security type	Debentures
Security details	2 <sup>nd</sup> Issue of Simple Debentures - TOTVS
Date of issue	04/22/2020
Expiration date	04/22/2021
Quantity (units)	200,000
Individuals (units)	0
Organizations (units)	0
Institutional Investors (units)	2
Global par value (R\$)	200,000,000.00
Outstanding debt balance	0
Restrictions to be outstanding	Yes
Details of restrictions	These debentures may only be traded between qualified investors, as set forth in section 9-B of CVM Instruction No. 539 of November 13, 2013, as amended ("CVM Instruction 539", and "Qualified Investors") and after 90 (ninety) days from the date of each subscription or acquisition is performed by Professional Investors (as provided for below), pursuant to articles 13 and 15 of CVM Instruction 476, except in the event of a firm underwriting commitment to place such Debentures by the Coordinators at the time of subscription, pursuant to article 13, section II of CVM Instruction 476, and after the Issuer have complied with the requirements of article 17 of CVM Instruction 476, provided, however, that the debentures negotiation shall always observe the applicable legal and regulatory provisions. Without prejudice to the provisions set forth herein, the provisions of article 13 of CVM Instruction 476 are, on this date, suspended due to CVM Resolution No. 849 of March 31, 2020 ("CVM Resolution 849"), when, whether alternatively or cumulatively, (a) the acquirer is a professional investor; and (b) the security in question is issued by a company registered with the CVM.
Convertibility	No
Possibility of redemption	Yes
Redemption and calculation of its amount	TOTVS may, at its sole discretion, at any time, make an early redemption offer for all Debentures, addressed to all Debenture Holders, without distinction, one or more times, ensuring all Debenture Holders equal conditions whether to accept or not the redemption of the Debentures that they hold ("Early Redemption Offer"), according to the terms and conditions previously provided for
Conditions for changing the rights guaranteed by such securities	Not applicable.
Other relevant characteristics	Optional Early Redemption: the Issuer may redeem all Debentures in advance, at its sole discretion, at any time, as of July 22, 2020, including upon payment of the Debentures' Face Value per Unit, plus Remuneration, calculated <i>pro rata temporis</i> (i.e., calculated based on the time already elapsed) from the Date of First Payment to the date of its actual payment ("Debt Balance"), plus a flat redemption premium levied on the Debt Balance corresponding to 0.10% (ten hundredths percent) ("Optional Early Redemption"). Note: According to the Notice to the Market ("Early redemption of simple debentures non-convertible into shares") released on August 5, 2020, the debentures were redeemed in advance.



Security type	Debentures
Security details	3 <sup>rd</sup> Issue of Simple Debentures - TOTVS
Date of issue	05/21/2021
Expiration date	05/21/2024
Quantity (units)	1,500,000
Global par value (R\$)	1,500,000,000.00
Outstanding debt balance	1,500,000,000.00
Restrictions to be outstanding	Yes
Details of restrictions	These debentures may only be traded between qualified investors, as set forth in section 9-B of CVM Instruction No. 539 of November 13, 2013, as amended ("CVM Instruction 539", and "Qualified Investors") and after 90 (ninety) days from the date of each subscription or acquisition is performed by Professional Investors (as provided for below), pursuant to articles 13 and 15 of CVM Instruction 476, except in the event of a firm underwriting commitment to place such Debentures by the Coordinators at the time of subscription, pursuant to article 13, section II of CVM Instruction 476, and after the Issuer have complied with the requirements of article 17 of CVM Instruction 476, provided, however, that the debentures negotiation shall always observe the applicable legal and regulatory provisions. Without prejudice to the provisions set forth herein, the provisions of article 13 of CVM Instruction 476 are, on this date, suspended due to CVM Resolution No. 849 of March 31, 2020 ("CVM Resolution 849"), when, whether alternatively or cumulatively, (a) the acquirer is a professional investor; and (b) the security in question is issued by a company registered with the CVM.
Convertibility	No
Possibility of redemption	Yes
Redemption and calculation of its amount	TOTVS may, at its sole discretion, at any time, make an early redemption offer for all Debentures, addressed to all Debenture Holders, without distinction, one or more times, ensuring all Debenture Holders equal conditions whether to accept or not the redemption of the Debentures that they hold ("Early Redemption Offer"), according to the terms and conditions previously provided for
Conditions for changing the rights guaranteed by such securities	Not applicable.
Other relevant characteristics	Optional Early Redemption: the Issuer may redeem all Debentures in advance, at its sole discretion, at any time, as of July 21, 2021, including upon payment of the Debentures' Face Value per Unit, plus Remuneration, calculated <i>pro rata temporis</i> (i.e., calculated based on the time already elapsed) from the Date of First Payment to the date of its actual payment ("Debt Balance"), plus a flat redemption premium levied on the Debt Balance corresponding to 0.5% (ten hundredths percent) ("Optional Early Redemption").  The Debentures will mature on May 21, 2024 and may be redeemed in advance, at the sole discretion of the Company.

#### 18.5.a - Number of Holders of Securities

Security	Individuals	Legal Entities	Institutional Investors
Debentures	0	0	4



#### **18.6 - Brazilian Markets where securities are admitted for trading**

The Company's securities are admitted for trading in Brazil. The Company's shares are specifically traded on B3 (Bolsa, Brasil, Balcão) Stock Exchange, under ticker "TOTS3", in the category of the highest level of corporate governance, called *Novo Mercado*.

The debentures issued by the Company are traded on B3 and CETIP under the trading codes TOTS11 and TOTS12.

#### **18.7 – Information on class and type of securities admitted for trading in foreign markets**

##### **Justification for not filling out the box:**

There are no securities admitted for trading on foreign markets.

#### **18.8 – Securities issued abroad**

##### **Justification for not filling out the box:**

There are no securities issued abroad.



## 18.9 – Public distribution offerings

### 1<sup>st</sup> Issue of Debentures

On September 15, 2017, the Company issued 200,000 simple non-convertible debentures in a single series under the firm guarantee of placement regime, with a nominal face value of R\$1,000, making a total amount of R\$200 million, with final maturity on September 15, 2020. As from the Date of issuance, the debentures will be entitled to remuneration equivalent to 105% of the CDI rate.

For further information on the debenture issue see section 18.5 of this reference form.

### 2<sup>nd</sup> Issue of Debentures

On April 22, 2020, the Company issued 200,000 simple debentures, not convertible into shares, in a single series, under a firm underwriting commitment, with a face value per unit of R\$ 1,000, in the total amount of R\$ 200 million, and final maturity on April 22, 2021. As of the Date of Issue, the Debentures will be entitled to a remuneration equivalent to 100% of the CDI rate, plus a spread equal to 2.65% (two integers and sixty-five hundredths percent). For more information on the issue of debentures, please see section 18.5 of this Reference Form.

### 3<sup>rd</sup> Issue of Debentures

On May 21, 2021, the Company issued 1,500,000 simple debentures, not convertible into shares, in a single series, under a firm underwriting commitment, with a face value per unit of R\$ 1,000, in the total amount of R\$1,500 billion, and final maturity on May 21, 2024. As of the Date of Issue, the Debentures will be entitled to a remuneration equivalent to 100% of the CDI rate, plus a spread equal to 1.90% (one integer and ninety hundredths percent). For more information on the issue of debentures, please see section 18.5 of this Reference Form.

## Offering of Restricted Shares

At a meeting of the Company's Board of Directors held on May 9, 2019, a public offering was approved for primary distribution with restricted placement efforts of common, registered, book-entry shares, with no par value, free and clear from any liens or encumbrances, issued by the Company.

The meeting of the Company's Board of Directors held on May 22, 2019 approved that the price per share was determined in the amount of R\$39.50 ("Price per Share"), totaling the total amount of R\$1,066,500,000.

It was determined that, out of the Price per Share of R\$39.50: (i) R\$12.64 would be allotted to the capital stock, totaling the amount of R\$341,280,000; and (ii) the remaining balance of R\$26.86 per share would be allotted to create a capital reserve, pursuant to the provisions of article 182, paragraph 1, subparagraph "a", of the Brazilian Corporations Act, totaling the amount of R\$725,220,000.

As a result of the capital increase, within the scope of such Offering, through the issue of 27,000,000 new common, registered, book-entry shares issued by the Company, with no par value, free and clear from any liens or encumbrances (the "Shares"), which includes the Additional Shares (as defined here in below), the capital stock increased from R\$1,041,228,564.43, divided into 165,637,727 common shares, all of them registered, book-entry share with no par value, to R\$1,382,508,564.43, divided into 192,637,727 common shares, all of them registered, book-entry shares with no par value.



## **Offering**

The Offering is taking place in the Federative Republic of Brazil ("Brazil"), on the non-organized over-the-counter market pursuant to Law 6.385 of December 7, 1976, as amended ("The Securities Market Law"), CVM Instruction 476, the currently prevailing ANBIMA Code of Regulations and Best Practices for Public Offerings of Distribution and Acquisition of Securities, ("ANBIMA Code") and other applicable legal provisions, including the Listing Regulations of the Novo Mercado segment of B3 S.A. – Brasil, Bolsa, Balcão ("B3") and ("Regulations of Novo Mercado", and Official Circular 087/2014 DP, issued by the B3 on November 28, 2014, ("Official Circular B3 087/2014 DP") under the coordination of Banco BTG Pactual S.A. ("Lead Underwriter"), Banco Morgan Stanley S.A. ("Morgan Stanley"), Banco J.P. Morgan S.A. ("J.P. Morgan", and, together with the Lead Underwriter and Morgan Stanley, "Underwriters"), pursuant to the Offering distribution agreement entered into between the Company and the Underwriters ("Distribution Agreement ") ("Offering").

Simultaneously, within the scope of the Offering, efforts were made to place the Shares overseas by BTG Pactual US Capital LLC, Morgan Stanley & Co. LLC and J.P. Morgan Securities LLC ("International Placement Agents"), under the terms of the "Placement Facilitation Agreement" between the Company and the International Placement Agents ("International Placement Agreement") for Foreign Investors (as defined in the Material Fact of the Offering).

No partial distribution was approved or took place within the scope of the Offering.

## **Additional Shares**

To the number of Shares initially offered, at the Company's discretion, in mutual agreement with the Underwriters, 7,000,000 of the Company's common shares were added on the same conditions and at the same price as the Shares initially offered ("Additional Shares "). The Additional Shares will be the subject of a firm guarantee of settlement by the Underwriters.

## **Exclusion of the Preemptive Right and Grant of Priority Right**

Within the scope of the Offering, the shares (including the Additional Shares) will be issued by us with the exclusion of the preemptive rights of our current shareholders, pursuant to article 172, sub-section I of Brazilian Corporate Law, and article 9 of our bylaws, and said issuance will only take place within the authorized capital limit provided for in our bylaws.

Pursuant to article 9-A of CVM Instruction 476, to ensure the participation of the Company's current shareholders in the Offering, priority was granted to holders of our Company's common shares (a) at the close of May 9, 2019, after closure of the market ("First Cut-Off Date"), according to the custody position (i) and the Central Asset Depository of B3 ("Central Depository"), and (ii) at Itaú Corretora de Valores S.A., the institution responsible for the bookkeeping of the Company's shares ("Bookkeeping Institution ") ("Shareholders"); and (b) at the close of May 17, 2019, after closure of the market ("Second Cut-Off Date"), according to the custody positions (i) at the Central Depository; and (ii) at the Bookkeeping Institution, with due regard for the Proportional Subscription Limit and provided they remain holders of our Company's common shares on the Second Cut-Off Date for subscribing up to the total shares (bearing in mind the Additional Shares) to be placed through the Offering, in proportion to their respective holdings in the Company's capital stock on the Second Cut-Off Date, in accordance with the terms and procedure provided for in the Material Fact of the Offering ("Priority Offering").

## **Price per Share**

The Price per Share was fixed after concluding the procedure for collecting investment intentions undertaken exclusively with Institutional Investors, in Brazil, by the Underwriters, and abroad by the International Placement Agents, using as a parameter: (i) the price of the Company's common shares on B3; and (ii) the indications of





interest on account of the quality and quantity of the demand (by volume and price) for the Shares collated from Institutional Investors ("Bookbuilding Procedure"), and approved by the Company's Board of Directors.

The Price per Share is not indicative of the prices that will prevail in the market following conclusion of the Offering.

Pursuant to article 170, paragraph 1, sub-section III of Brazilian Corporate Law, the choice of criterion for determining the Price per Share is justified by the fact that the Price per Share was ascertained according to the Bookbuilding Procedure undertaken, which reflects the amount by which the Institutional Investors submitted their investment intentions within the context of the Offering and the quotation of the Company's common shares on B3, and, therefore, not causing any unjustified dilution of the Company's shareholders.

The Bookbuilding Procedure factored in the demands of the investors according to the distribution plan previously agreed between the Company and the Underwriters under the Distribution Agreement, and which were in accordance with the Company's objectives in undertaking the Offering.

The Shareholders who participated exclusively in the Priority Offering did not participate in the Bookbuilding Procedure and, therefore, did not participate in setting the Price per Share.

Within the scope of the Institutional Offering, there could have been, but was not accepted, participation by Institutional Investors under the terms of article 55 of CVM Instruction 400, dated December 29, 2003, as amended ("CVM Instruction 400"), and article 1, sub-section VI of CVM Instruction 505, dated September 27, 2011, as amended, Connected Persons, in the Price per Share fixing process through their participation in the Bookbuilding Procedure up to the maximum limit of 20% of the Shares initially offered (without considering the Additional Shares). As there was excess demand of one-third of the number of shares initially offered (without factoring in the Additional Shares), it was forbidden to place shares with institutional investors who are Connected Persons within the scope of the institutional offering, and the investment intentions by institutional investors who are Connected Persons were automatically cancelled.

The participation in the Bookbuilding procedure of institutional investors who are Connected Persons, could have had an adverse impact on the formation of the price per share, while investment in our shares by those related party institutional investors could trigger a reduction in the liquidity of our common shares on the secondary market.

The investments by those mentioned in article 48 of CVM Instruction 400 for hedging derivative transactions with, third parties, where the Company's shares are the benchmark (including total return swap transactions) are permitted under article 48 of CVM Instruction 400 and investments undertaken by Connected Persons will not be considered, provided those third parties

(i) are not Connected Persons, and (ii) that they qualify within the other exceptions provided for in article 48, sub-section II of CVM Instruction 400.

Pursuant to CVM Instruction 530, dated November 22, 2012, the subscription of Shares is prohibited in the case of investors who have shorted the Company's common shares on the date for fixing the Price per Share and in the five trading sessions that preceded it, and all Reservation Orders in the Priority Offering and the investment intentions of those investors are automatically canceled, and any amounts deposited are returned by the custody agent of by the Underwriters, as the case may be, with no interest, monetary restatement or reimbursement of costs incurred, and deducting, as the case may be, amounts referring to taxes levied within three business days from the date of disclosure of the cancellation. Short selling are those sales by investors not in possession of our Company's common shares or whose ownership is the result of a loan or other agreement with an equivalent effect. In addition, short selling and acquisition of our Company's common shares are considered transactions by one and the same investor in their own name or through any vehicle whose investment decision is subject to their influence. Investment funds whose investment decisions are taken by the same manager will not be considered a single investor for the purposes of the provisions in this paragraph, provided the transactions qualify within the



investment policies of each fund. The prohibition provided for in this paragraph does not apply in the following cases: (i) transactions undertaken by legal entities engaged in the activities as market makers for our Company's common shares, as defined in specific regulations; and (ii) transactions subsequently covered by acquiring in the market the total number of our Company's common shares corresponding to the uncovered position by, at the most, two trading sessions prior to the fixing date of the Price per Share.

### **Institutional Offering**

After complying with the Priority Right within the scope of the Priority Offering, the Shares (bearing in mind the remaining Additional Shares were allocated to the public through (i) professional investors, as per article 9-A of CVM Instruction 539, dated November 13, 2013, as amended, resident and domiciled or with their principal place of business in Brazil and who, in addition, vouch in writing for their status as a professional investor under their own instrument ("Professional Investors"), limited to a maximum of 75 Professional Investors, and the subscription of Shares limited to a maximum of 50 Professional Investors in accordance with article 3 of CVM Instruction 476; and (iii) Foreign Investors (the Professional Investors and Foreign Investors, together, "Institutional Investors"), through the Underwriters and the International Placement Agents ("Institutional Offering").

We give below the following information referring to the Offering:

### **Costs of the Offering**

The commissions and expenses of the Offering, including lawyers', consultants' and auditors' fees and advertising will be paid solely by us.

The table below shows the commissions and expenses of the Offering:

<b>Costs</b>	<b>Total Cost (R\$)</b>	<b>% in Relation to the Total Amount of the Offering<sup>(1)</sup></b>	<b>Cost per Share (R\$)</b>	<b>% in Relation to the Price per Share<sup>(1)</sup></b>
<b>Commissions of the offering</b>	<b>21,330,000.00</b>	<b>21,330,000.00</b>	<b>0.79</b>	<b>2.00%</b>
Underwriting Commission	3,199,500.00	3,199,500.00	0.12	0.30%
Placement Commission	9,598,500.00	9,598,500.00	0.36	0.90%
Firm Guarantee of Settlement Commission	3,199,500.00	3,199,500.00	0.12	0.30%
Incentive commission	5,332,500.00	5,332,500.00	0.20	0.50%
<b>Expenses of the offering<sup>(2)</sup></b>	<b>7,795,791.45</b>	<b>7,795,791.45</b>	<b>0.29</b>	<b>0.73%</b>
Taxes and Other Withholdings	2,278,190.37	2,278,190.37	0.08	0.21%
Registration of the Offering by ANBIMA <sup>(3)</sup>	43,011.95	43,011.95	0.00	0.00%
Cpsts of B3	436,989.13	436,989.13	0.02	0.04%
Lawyers and Consultants	2,087,600.00	2,087,600.00	0.08	0.20%
Independent Auditor	1,450,000.00	1,450,000.00	0.05	0.14%
Others <sup>(4)</sup>	1,500,000.00	1,500,000.00	0.06	0.14%
<b>Total Commissions and Expenses of the Offering</b>	<b>29,125,791.45</b>	<b>29,125,791.45</b>	<b>1.08</b>	<b>2.73%</b>

<sup>(1)</sup> The amounts and percentages shown reflect adjustments from rounding and, therefore, the totals shown may not correspond to the arithmetical sum of the figures preceding them.

<sup>(2)</sup> Estimated expenses.

<sup>(3)</sup> The Offering will be registered with ANBIMA, in accordance with section 1, paragraph 3 of the ANBIMA Code.

<sup>(4)</sup> Costs with advertising, roadshow presentations and others.

In addition to the compensation provided for above, nothing more will be contracted or paid to the Underwriters, directly or indirectly, on the strength of or arising from the Distribution Agreement.



## 18.10 – Use of proceeds of public offerings and any deviations

### 1<sup>st</sup> Issue of Debentures

#### **a) the way how the proceeds from the offering were used**

The proceeds from the 1<sup>st</sup> public debenture issue were fully used for working capital, investments within the scope of the issuer's business purpose and/or pre-payment of debts.

#### **(b) whether there were or not any significant deviations between the effective usage of such funds and the proposed usage as disclosed in the prospectuses of the corresponding distribution**

Not applicable, since the proceeds were used in accordance with the investment proposal.

#### **(c) if there were any deviations, clarify the reasons for such deviations**

Not applicable, since the proceeds were used in accordance with the investment proposal.

### 2<sup>nd</sup> Issue of Debentures

#### **a) the way how the proceeds from the offering were used**

The funds raised with the 2<sup>nd</sup> public issue of debentures will be fully used for scheduled settlement of R\$ 200.0 million corresponding to the 1<sup>st</sup> (first) issue of debentures by the Company, which will mature on September 15, 2020, and to get prepared to pay the amount of R\$ 455.2 million for the acquisition of shares corresponding to 88.8% of the capital stock of SUPPLIER PARTICIPAÇÕES S.A.

#### **(b) whether there were or not any significant deviations between the effective usage of such funds and the proposed usage as disclosed in the prospectuses of the corresponding distribution**

Not applicable, as the facts that will generate the use of such resources have not yet taken place in full.

#### **(c) if there were any deviations, clarify the reasons for such deviations**

Not applicable, as the facts that will generate the use of such resources have not yet taken place in full.

### 3<sup>rd</sup> Issue of Debentures

#### **a) the way how the proceeds from the offering were used**

The funds raised with the 3<sup>rd</sup> public issue of debentures will be fully used for the achievement of the Company's strategic plan and corporate purpose.

#### **(b) whether there were or not any significant deviations between the effective usage of such funds and the proposed usage as disclosed in the prospectuses of the corresponding distribution**

Not applicable, as the facts that will generate the use of such resources have not yet taken place in full.

#### **(c) if there were any deviations, clarify the reasons for such deviations**

Not applicable, as the facts that will generate the use of such resources have not yet taken place in full.



## **Offering of Restricted Shares**

### **a) the way how the proceeds from this offering were used**

Considering the Price per Share, the net proceeds from the Offer, after deducting commissions and expenses, total R\$ 1,037 million. For more detailed information on the fees and expenses of the Offer, please see the topic "Costs of the Offering" above.

We intend to invest all the net resources obtained through the Offering in potential acquisitions of companies that may contribute to the performance of our strategy of strengthening the core business and expanding into new markets, with any remaining net resources being used to reinforce the Company's capital stock.

Our pipeline of potential acquisition targets (with more than ten targets mapped) is constantly updated in view of the dynamics of the information technology market. Such targets are evaluated according to the fit with the Company's strategy, availability of the asset for trading, and estimated value in line with the levels practiced in the market, and on this date our estimated value per transaction is in the range of R\$ 25 million to R\$ 800 million. For more details on our acquisition strategies, please see section "7.1. Description of the Key Activities of the Issuer and its Subsidiaries" in this Reference Form.

As of this date, there is still no defined position about which companies will be acquired by the Company and how long such potential negotiations will take to be concluded.

The destination of resources from the Offer will be influenced by the future conditions of the markets in which the Company operates, as well as by the investment opportunities found by the Company, in addition to other factors that cannot be anticipated. While the abovementioned investments are not made, in the regular course of the Company's businesses, the funds raised in the Offering may be invested in financial investments that the Company's management believes to be within the scope of its investment policy, aiming at preserving the Company's capital and investments with a high-liquidity profile, such as public debt securities and fixed income financial investments contracted or issued by leading financial institutions, which may include the Coordinators.

The allocation of funds described above is based on analysis, estimates, and current perspectives on future events and trends. Changes in market conditions and the timing of allocating funds may compel the Company to review the allocation of the net proceeds from the Offering on the moment they will be actually used, with a view to the best interest of the Company. The use of the funds raised with the Offering depends on several factors that the Company cannot guarantee will come to fruition, among which, the behavior of the market in which the Company operates, the Company's ability to continue its regular activities and develop new projects.

If the proceeds from the Offering are not sufficient to fund the Destination of Funds as described above, the Company may seek additional funds, including through financial entities, by contracting loans or direct financing, making offering of securities and of other securities that represent debt in the local and international markets, or even through another public offering of shares issued by the Company. The way how such funds will be raised will be determined by the Company at the time of the corresponding fund raising, depending also on market conditions.

For information on the impact of net resources earned by the Company as a result of the Offering on the Company's equity position, please see the "Capitalization" section below.



#### **18.11 – Public offerings for acquisitions**

The Company has made no public offerings for acquisitions.



## 18.12 – Other material information

### • Supplement to section 18.1 - capital reimbursement

Right of reimbursement prevails in the following cases:

#### Liquidation of the Company

If the Company is liquidated, the shareholders are entitled to receive the sums referring to capital reimbursement in proportion to their equity holdings, after payment of all the Company's obligations. Holders of common shares are entitled to participate in the Company's future capital increases, in proportion to their equity holdings, but they are not obligated to subscribe shares in these capital increases.

#### Right to Withdraw

Any of the Company's shareholders dissenting with certain resolutions at the meeting of shareholders may withdraw from it through reimbursement of the value of their shares based on the equity value.

According to Brazilian Corporate Law, the right to withdraw may be exercised if one of the following events, among others, occurs:

- Company spin-off (with due regard for the provisions below);
- Reduction in the Company's mandatory dividend;
- Change in the Company's business purpose;
- Merger or consolidation of the Company with another company; and
- Company's participation in a group of companies, as defined in Brazilian Corporate Law.

Brazilian Corporate Law also stipulates that a spin-off of the Company will result in the right to withdraw in cases where it causes:

- a change in the corporate purpose, except when the equity is spun off into a company whose core activity coincides with that arising from the Company's business purpose.
- The reduction in the Company's mandatory dividend; or
- Company's participation in a group of companies, as defined in the Brazilian Corporate Law.

In cases of a merger or consolidation of the Company or, moreover, its participation in a group of companies, the Company's shareholders will not have the right to withdraw where their shares (i) enjoy liquidity, that is, they are part of the BOVESPA general index or the index of any other stock exchange, as defined by CVM, and (ii) they have dispersal where the controlling shareholder, the company parent company or other companies under common control hold fewer than half the shares of the subject share type or class of the right to withdraw.

The right to withdraw must be exercised within 30 days from publication of the minutes of the shareholders' meeting that resolves on the subject matter resulting in that right. Furthermore, the Company is entitled to reconsider any resolution that has resulted in the right to withdraw in the 10 days following the expiry of the deadline for exercising that right, if it understands that payment of the reimburse price of the shares to dissentient shareholders would put its financial stability at risk.

Where right to withdraw is exercised, the shareholders will be entitled to receive the book value of their shares based on the latest balance sheet approved by the meeting of shareholders. If, however, the resolution that resulted in the right to withdraw has occurred more than 60 days after the date of the latest approved balance sheet, the shareholder may request the raising of a special balance sheet on a date no less than 60 days prior to the resolution, to have the value of their shares assessed. In this case, the Company must immediately pay 80% of the reimbursement amount calculated based on the latest balance sheet approved by its shareholders, and the remaining balance within 120 days from the date of resolution by the meeting of shareholders.





- **Supplement to section 18.1 - conditions for amending the rights assured by those securities**

Right to dividends: Since the Company participates in the Novo Mercado segment and, therefore, only has one type of share (common), the only way to alter the mandatory minimum dividend mentioned in section 18.1(a) is by amending the Company's statutes, by convening an Extraordinary Shareholders' Meeting pursuant to article 135 of Brazilian Corporate Law. The quorum for approving subject matters appreciated at Extraordinary Shareholders' Meetings will be defined in the manner of article 136 of Brazilian Corporate Law, with approval required from shareholders representing at least half of the shares. It is important to mention that the reduction in the mandatory dividend is a situation that could trigger the exercise of the right to withdraw by the dissentient shareholder, as stated in article 137 of Brazilian Corporate Law.

Voting rights: Each share entitles its holder to a vote at all resolutions in meetings of shareholders. According to the Regulations of Novo Mercado, the Company may not issue shares with no voting rights or with restricted voting rights.

Right to reimbursement: According to Brazilian Corporate Law, shares can be redeemed if the Company's shareholders so determine in an extraordinary shareholders' meeting, and this must be approved by shareholders representing at least half of the shares affected.

- **Supplement to section 18.1 – right to participation in public offerings for divestment of control**

In case of direct or indirect divestment, against payment, of control of the Company, even if through successive transactions, this shall be contracted under a suspensive or resolutive condition that the part acquiring control undertakes to make a public offering for acquisition of the shares ("IPO") of the other shareholders, with due regard for the conditions and deadlines provided for in the prevailing legislation and in the Regulations of Novo Mercado, to assure them of equal treatment to the party divesting the control; (iv) in the case of acquisition of the Company's shares in an amount equal to or exceeding 20% of its capital stock, by any shareholder, right of divestment of their shares for a price no less than the greater of: (a) 125% of the highest quotation attained by the Company's shares during the 120-month period preceding the IPO on any stock exchange where the Company's shares are traded; (b) 125% of the highest price paid by the Acquiring Shareholder, at any time for a share or batch of the Company's shares; (c) the economic value ascertained in a valuation report in the manner of the Bylaws. Furthermore, a review may be requested of the IPO price by shareholders representing at least 10% of the capital stock, pursuant to the Company's Bylaws. These obligations do not apply to shareholders who on the date of publication of the Announcement of Commencement are already holders of 20% or more of the total shares of the Company and its successors, applying exclusively to investors who acquired shares and became shareholders of the Company after the effective date on which the Company joined and was listed on Novo Mercado. The 20% highlighted here applies where a person becomes a Company shareholder of more than 20% of its total shares arising from (1) legal succession, on the condition that the shareholder divests the surplus shares within 60 days from the material event; (2) the merger of another company into our Company, (3) the acquisition of the shares of another company by our Company; or (4) the subscription of our Company's shares under a single primary issuance approved at a general meeting of the Company's shareholders convened by its Board of Directors, and where the proposed capital increase has determined the fixing of the issuance price of the shares based on the economic value obtained from an economic and financial valuation report of the Company carried out by a specialized company with proven experience in evaluating publicly-held companies. Lastly, the calculation of the 20% of the Company's total shares will not take into account either the involuntary increases in equity holdings resulting from the cancellation of treasury shares, or the reduction in the Company's capital stock from the cancellation of the shares; (v) if any investor acquires 20% or more of the Company's capital stock through the acquisition of shares within the scope of the Offering, the other shareholders will be entitled to sell their shares to that investor in a public offering for acquisition of shares to be undertaken according to the provisions of section (iv) above, with the proviso, however, that the Offering procedure will in no way limit an investor's ability to acquire shares that make them a holder of 20% or more of the Company's capital stock.



• **Supplement to section 18.9 and 18.10 – Offering of Restricted Shares**

**Capitalization**

The following table shows the Company's consolidated (current and non-current) loans and financing, debentures and obligations for acquisition of investments, its shareholders' equity and capitalization, indicating:

- the actual situation on March 31, 2019;
- the position adjusted to take into account the net proceeds from the Offering, of R\$1,037,374 thousand, based on the Price per Share, and after deducting commissions and expenses owed within the scope of the Offering; and,

For further information see sections "3. Selected Financial Data", "10. Management's Comments" and "18. Securities" of this reference form.

The information below referring to the "Actual" column was taken from the Company's consolidated quarterly information contained in the quarterly information form (ITR) referring to the quarter ended March 31, 2019. The investor should read the table below together with sections "3. Selected Financial Data" and "10. Management's Comments" of this reference form, as well as with our consolidated Quarterly Information.

	<b>As of March 31, 2019</b>	
	<b>March 31, 2019</b>	<b>Adjusted for the Offering<sup>(2)</sup></b>
	<i>(in thousand of R\$)</i>	
Loans and financing, debentures and obligations for acquisition of investments (current)	314,345	314,345
Loans and financing, debentures and obligations for acquisition of investments (non-current)	420,349	420,349
<b>Gross Debt<sup>(1)</sup></b>	<b>734,694</b>	<b>734,694</b>
<b>Total shareholders' equity</b>	<b>1,307,010</b>	<b>2,344,384</b>
<b>Total Capitalization<sup>(3)</sup></b>	<b>2,041,704</b>	<b>3,079,078</b>

(1) Gross debt corresponds to current and non-current loans, financing, debentures and obligations for acquisition of investments.

(2) Adjusted to take into account the net proceeds from the Offering, of R\$1,037,374 thousand, and after deducting commissions and expenses owed within the scope of the Offering, of R\$29,126 thousand.

(3) Total Capitalization is the sum total of gross debt and net equity on the date shown.

Except as described above, there have been no material changes in the Company's capitalization since March 31, 2019.

**Dilution**

Shareholders opting not to participate in the Offering or exercise their Priority Right by subscribing a lower number of shares than their Proportional Subscription Limit, as well as investors who participate in the Offering will see their investment immediately diluted.

As of March 31, 2019, our shareholders' equity was R\$1,307,010,000.00 and the equity value of our common share on the same date was R\$7.99. This equity value represents the total book value of our shareholders' equity, divided by the total number of common shares issued by us, on March 31, 2019, excluding treasury shares, which is the same on the date of the Material Fact of the Offering.





After considering the allocation of the Shares [, at the Price per Share and after deducting estimated commissions and expenses of the Offering, the Company's shareholders' equity as of March 31, 2019 would have been R\$2,344 million, representing a price of R\$12.30 for each of our common shares. This would have meant an immediate increase in our shareholders' equity per common share of R\$4.31 for existing shareholders, and an immediate dilution of our shareholders' equity per common share of 68.87% for new investors and shareholders subscribing shares within the scope of the Offering. This dilution represents the difference between the Price per Share and the book value per common share immediately after the Offering. For further information about distribution commissions and expenses of the Offering see "Cost of the Offering" above.

The following table shows the dilution per share, based on our shareholders' equity as of March 31, 2019 and bearing in mind the impacts of undertaking the Offering:

	<b>After the Offering</b> <i>(in R\$, except percentages)</i>
Price per Share	39.50
Equity value per share as of March 31, 2019 <sup>(1)</sup>	7.99
Equity value per share as of March 31, 2019 adjusted to reflect the Offering <sup>(1)</sup>	12.30
Increase in equity value per share on March 31, 2019 for current shareholders	4.31
Dilution of equity value per share for new investors <sup>(2)</sup>	27.20
<b>Percentage of immediate dilution resulting from the Offering<sup>(3)</sup></b>	<b>68.87%</b>

(1) Equity value per share, without considering treasury shares.

(2) For the purposes hereof, dilution represents the difference between the Price per Share payable by the investors and the net equity value per common share immediately after conclusion of the Offering.

(3) The percentage of dilution to new investors is obtained by dividing the dilution to new investors by the share price.

The share price payable by the investors within the context of the Offering bears no relation to the equity value of our shares, and will be set by using as a parameter the investment intentions manifested by institutional investors, bearing in mind the quality of the demand (by volume and price), within the scope of the bookbuilding procedure.

### **Stock Option Plans**

Our Company current has two on-going share-based compensation plans: the second plan, approved at the extraordinary shareholders' meeting on November 29, 2012 ("Plan 2"), and the third plan, approved at an extraordinary shareholders' meeting on December 15, 2015 ("Plan 3", jointly with Plan 2, "Plans").

#### **Plan 2**

Within the scope of Plan 2, the managers and employees of the Company and its direct and indirect subsidiaries who are members of its Executive Committee, hold positions of Officers or Executive Managers or are employees of the Company and its Subsidiaries who, at the discretion of our Board of Directors, have stood out for the significant contribution to the Company's performance, or whose hiring or retention is of vital importance to the proper fulfillment of the Company's plans and strategies are eligible to participate in Plan 2.

Plan 2 is managed by our Board of Directors, who enjoy the private remit of deliberating on the issuance of the subject shares of Plan 2, and it is also incumbent on it to take all necessary and appropriate measures for interpreting, detailing and applying the general rules and guidelines of the plan.



The total number of shares intended for Plan 2 cannot exceed, the plan approval date, 2.5% of our capital stock within a period of four years (from the date of approval of Plan 2 by a meeting of our shareholders). On the date of the Material Fact of the Offering, the number of outstanding options represented 88,087. Each option will represent one of our common shares.

There currently outstanding options from the 12<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> grants under Plan 2.

	<b>After the Offering</b>
	<i>(in R\$, except for percentages)</i>
Number of shares from the 12 <sup>th</sup> grant.....	73,225
Exercise price of the options from the 12 <sup>th</sup> grant.....	35,60
Number of shares from the 13 <sup>th</sup> grant.....	1,686
Exercise price of the options from the 13 <sup>th</sup> grant.....	0,00
Number of shares from the 14 <sup>th</sup> grant.....	13,176
Exercise price of the options from the 14 <sup>th</sup> grant.....	35,60
Number of outstanding shares after the vesting period within the scope of Plan 2	88,087
Price per Share.....	39,50
Equity value per share as of March 31, 2019 <sup>(1)</sup>	7,99
Equity value per share as of March 31, 2019, adjusted for the Offering and the shares from Plan 2.....	12,31
Increase in equity value per share attributable to the shareholders, taking into account the Offering <sup>(1)(2)</sup> and the shares from Plan 2	4,32
Dilution of the equity value per share for Institutional Investors and Shareholders acquiring Shares within the scope of the Offering <sup>(2)</sup>	27,19
Percentage dilution for Institutional Investors and Shareholders who acquire Shares within the scope of the Offering <sup>(3)</sup> .....	68,84%

(1) Equity value per share, without considering treasury shares.

(2) For the purposes hereof, dilution represents the difference between the Price per Share payable by the investors and the net equity value per common share immediately after conclusion of the Offering.

(3) The percentage of dilution to new investors is obtained by dividing the dilution to new investors by the share price.

### Plan 3

Plan 3 involves restricted stock, thus treasury shares or those acquired by the Company for that purpose will be used, with due regard for the applicable regulations. Therefore, there is dilution institutional investors from the Offering or Shareholders in relation to Plan 3.

For more information about the Plans see section "13. Management compensation" of our reference form.

### Premium for non-conversion of the Debentures of 2008

On August 19, 2008, the shareholders approved the raising of R\$200.0 million by issuing up to 100,000 (units), represented by securities certificates of deposits consisting of two series of debentures from the Company's first private issuance, non-detachable, namely one convertible debenture from the first series and one convertible debenture from the second series. The total amount of principal and interest was fully paid in 2016.

The premium for non-conversion of the debentures from the first series is adjusted by the IPC-A, plus 8.0% per annum, while in the second series, it is adjusted by the TJLP plus 5.0% per annum.



The non-conversion premium will be paid by August 19, 2019. The non-conversion premium may be paid in our common shares or in cash, at the sole discretion of the debenture holders, factoring in for that purpose the average weighted price by volume of our shares traded in the 30 trading sessions on B3 preceding the payment date.

The following shows the dilution arising from the Non-Conversion Premium, which may result in additional dilutions for current shareholders and new investors, as per the following table (sic):

	<b>After the Offering</b> <b>(in R\$, except percentages)</b>
<b>Conversion premium price as of March 31, 2019</b>	36.34
<b>Balance of the non-conversion premium as of March 31, 2019</b>	75,891,000
<b>Number of Shares after the Offering, excluding treasury shares</b>	190,652,376
<b>Number of Shares to be issued arising from the conversion of the entire non-conversion premium</b>	2,088,360
<b>Price per Share</b>	39.50
<b>Equity value per share as of March 31, 2019 <sup>(1)</sup></b>	7.99
<b>Equity value per share as of March 31, 2019, adjusted for the Offering and bearing in mind conversion of the entire non-conversion premium</b>	12.56
<b>Increase in equity value per share attributable to the current shareholders, taking into account the Offering and the conversion of the entire non-conversion premium</b>	4.57
<b>Increase in the equity value per share for new investors and shareholders subscribing shares within the scope of the Offering <sup>(2)</sup></b>	26.94
<b>Percentage dilution for new investors and Shareholders subscribing Shares within the scope of the Offering<sup>(3)</sup></b>	68.21%

(1) Equity value per share, without considering treasury shares.

(2) For the purposes hereof, dilution represents the difference between the Price per Share payable by the investors and the net equity value per common share immediately after conclusion of the Offering.

(3) The percentage of dilution to new investors is obtained by dividing the dilution to new investors by the share price.

For further information about the non-conversion premium of the debentures of 2008 see section "10.1(f)" of this reference form.

## History of the Share Issue Price

Over the last five years, we have had the following capital increases:

<b>Date</b>	<b>Nature of the transaction</b>	<b>Number of Shares</b>	<b>Price per share</b>
			(R\$)
09/03/2015	Merger	2,170,656	R\$38.00



For further information about our Company's capital increases see section "17.2. Capital Increases" of this reference form.

For further information about the Offering, see the Material Fact of the Offering published on the websites of the CVM, B3 and our IR site.

**(b) whether there were any significant deviations between the actual allocation of the proceeds and the proposed allocations disclosed in the prospectuses of the respective distribution**

Not applicable, since the proceeds were used in accordance with the investment proposal.

**(c) in the event of any deviations, the reasons for those deviations**

Not applicable, since the proceeds were used in accordance with the investment proposal.



## 19.1 - Information on the issuer's share buy-back plans

Share Buy Back Program	
Date of resolution	March 6, 2020
Buy-back period (Start)	March 9, 2020
Buy-back period (End)	August 3, 2020
Reserves and earnings available ( <i>Reais</i> )	875,978,627.78
Type	Common
Class	
Amount expected (Units)	9,000,000
% rel. free float	1.854360
Qty. acquired approved (Units)	5,100,900
PMP	18.57
Price quote factor	R\$ per unit
% acquired	56.676666
Other charac.	<p>Purpose: Company's acquisition of shares to face the Incentive and Retention Plan based on Company Shares, as approved at the Extraordinary General Meeting held on December 15, 2015 and amended at the Extraordinary General Meeting held on April 5, 2018, which may also held in treasury, canceled, and/or subsequently sold. Financial institutions that will act as intermediaries: BTG Pactual Corretora de Valores S.A. (BTG Pactual CTVM S.A.), with Brazilian Tax Id. (CNPJ) number 43.815.158/0001-22, headquartered in the city and State of Sao Paulo, Brazil, at Avenida Brigadeiro Faria Lima, 3477, 14th floor (part), Zip code (CEP) 04538-133, and ITAÚ Corretora de Valores SA, with Brazilian Tax Id. (CNPJ) number 61.194.353/0001-64, headquartered in the city and State of Sao Paulo, Brazil, at Avenida Brigadeiro Faria Lima, 3500, 3rd floor, Zip code (CEP) 04538-132.</p> <p>Note: It was approved at the Board of Directors Meeting held on August 3<sup>rd</sup>, 2020, the end of the Company's Share Buyback Program, as approved at the Board of Directors Meeting and announced in the Material Fact dated March 6, 2020 ("Share Buyback Program").</p>



## 19.2 - Variation in securities held in treasury

### Fiscal year 12/31/2020

#### Shares

Type of Share		
Common		
Variation	Volume (Units)	Weighted average acquisition/divestment price (Reais)
Opening Volume	5,856,357	
Volume acquired	5,100,900	18.57
Volume divested	803,671	10.86
Volume cancelled	0	
Closing volume	10,153,586	
Ratio of securities in free float	1.756940%	

### Fiscal year 12/31/2019

#### Shares

Type of Share		
Common		
Variation	Volume (Units)	Weighted average acquisition/divestment price (Reais)
Opening Volume	2,186,091	
Volume acquired	0	
Volume divested	233,972	33.72
Volume cancelled	0	
Closing volume	1,952,119	
Ratio of securities in free float	1.013363%	



Fiscal year 12/31/2018

Shares

Type of Share		
Common		
Variation	Volume (Units)	Weighted average acquisition/divestment price (Reais)
Opening Volume	2,231,967	
Volume acquired	0	
Volume divested	45,876	27.84
Volume cancelled	0	
Closing volume	2,186,091	
Ratio of securities in free float	1.319803%	



### **19.3 – Other material information – buy-backs/treasury**

The company has not used financial instruments for purposes other than hedging involving the evolution of the share prices, including with regard to transactions associated with instruments such as “Total Equity Return Swaps”, or similar transactions.





## 20.1 – Information on the securities trading policy

<b>Approval date</b>	11/08/2019
<b>Body responsible for the approval</b>	Board of Directors
<b>Position and/or function</b>	Applies to the TOTVS Group (Headquarters, Own Units, Subsidiary Branches and Companies) and must be observed by its controlling shareholders, directors, members of the board of directors and Audit Committee, and members of any other bodies with technical or advisory functions created for statutory requirements and by the Company's Subsidiaries and Associated Companies, and by whomever, by virtue of their role, function or position in the Parent, Subsidiary or Associate Company, has or may have access to Material Information. Other persons expressly appointed by the Investor Relations Officer, at his or her sole discretion, including employees and other shareholders of the Company and/or of its Subsidiaries or Associated Companies who have or may have access to Material Information, will also be subject to the provisions of this Trading Policy.
<b>Principal features and locations of consultation</b>	The purpose of Trading Policy is to guide and establish the rules for trading securities issued by TOTVS S.A. ("Company") and derivatives referenced therein, to be observed by Affiliate Parties, pursuant to current legislation and the regulations of the Brazilian Securities and Exchange Commission, in particular CVM Instruction No. 358/2002 ("CVM Instruction No. 358/2002"), and in compliance with provisions of the Novo Mercado Listing Regulations and of the Company's Bylaws, Code of Conduct and Disclosure Policy. It is available (i) on the Company's Investor Relations website ( <a href="http://ri.totvs.com.br">http://ri.totvs.com.br</a> ); and (ii) on the CVM website ( <a href="http://www.cmv.gov.br">www.cmv.gov.br</a> ).
<b>Lock-up periods and description of the oversight procedures</b>	<p>Pursuant to CVM Instruction No. 358/2002 and this Trading Policy, the direct or indirect trading of Securities by Affiliate Parties and Related Persons is prohibited in the following cases:</p> <ul style="list-style-type: none"> <li>(i) prior to market disclosure (to its knowledge) of the Company's Material Information;</li> <li>(ii) during periods in which the Investor Relations Officer communicates the decision to restrict trading (the IRO is not obligated to justify said restriction). Even if such communication does not occur, the Affiliate Parties and Related Persons remain subject to the restrictions imposed by this Trading Policy if they are aware of Material Information not yet disclosed. In this case, the Investor Relations Officer's decision shall be kept confidential by the Affiliate Parties;</li> <li>(iii) whenever the acquisition or sale of TOTVS-issued shares by the Company itself, its Subsidiaries, Associated Companies or other company under common control is in progress, or if a mandate has been granted for such purpose;</li> <li>(iv) whenever any major corporate acquisition, total or partial split, merger, transformation or reorganization is planned;</li> <li>(v) in the context of a public offer for the distribution of Securities, within the limits of article 48 of CVM Instruction No. 400/2003, until publication of the distribution closure announcement, with Securities issued by the Company; and</li> <li>(vi) within 15 calendar days prior to the disclosure and/or publication, as the case may be, of the Company's quarterly statements (ITR) or standard annual financial statements (DFP). Such restriction will no longer apply upon disclosure and/or publication of said statements.</li> </ul>



In addition to these conditions, the direct or indirect trading of Securities by directors and Related Persons that leave the Company's management prior to the public disclosure of trades or acts initiated during their management term that constitute Material Information is prohibited for a period of six months after their departure.

In the events provided for in items (i) and (iv) above, the trading ban will continue even after the disclosure of Material Information if the Company deems it to interfere with the trading conditions of Securities, resulting in loss to the Company itself or to its shareholders; such additional restriction being informed by the Investor Relations Officer.

The prohibition referred to in item (iii) above applies to transactions with shares of the Company carried out by Affiliate Parties only on the dates on which the Company itself trades or informs the Accredited Brokers that it will trade in shares issued by the Company. To that end, Accredited Brokers are instructed by the Company's Investor Relations Officer not to record transactions on such dates.

The Company shall instruct Accredited Brokers not to register transactions within 15 (fifteen) days prior to the disclosure or publication of the periodic information or financial statements referred to in item (vii) above.

If any agreement or contract has been entered into for the transfer of the Company's share control, or if an option or mandate has been granted for the same purpose, and if any corporate acquisition, total or partial split, merger, transformation or reorganization is planned, as long as the transaction is not made public through the disclosure of a material fact, the Company's board of directors cannot deliberate on the acquisition or disposal of its own shares.

If, upon approval of a repurchase program, a fact arises that fits into any of the three scenarios above, the Company will immediately suspend operations with its own shares until the disclosure of the relevant Material Information.



## 20.2 – Other material information

The rules of the Trading Policy also apply in cases where trading by Connected Persons involves their own direct and/or indirect benefit by using, for example: (i) the Spouse; (ii) any Dependent; and (iv) companies controlled by the Directors and members of the Audit Committee and of Company bodies with technical or advisory functions.

The Investor Relations Officer may, at any time, request the Affiliate Parties' Securities trading history from the Accredited Brokers in order to investigate any violations of this Trading Policy.

Affiliate Parties shall ensure compliance and observation of the rules of this Trading Policy by anyone under their influence, including Subsidiaries, Associates, exclusive investment funds or director trading decisions which could be directly influenced by them, as well as by Related Persons.

The prohibitions foreseen in the items of the Trading Policy will not apply to Related Persons or to the Company in the following cases: (i) transactions with treasury shares, through private trading, linked to the exercise of the stock option, pursuant to the stock option plan approved by the Company's general meeting, or the granting of shares to directors, employees or service providers as part of remuneration previously approved at the general meeting; (ii) negotiations conducted by non-exclusive investment funds and whose decisions cannot be influenced by Affiliate Parties; or (iii) when securities transactions are carried out in accordance with Individual Investment Plans, provided that all the requirements described therein are met.

Notwithstanding any applicable sanctions under current law—to be applied by the competent authorities in the event of violation of the terms and procedures set forth in this Trading Policy—Affiliate Parties who fail to comply with any provision of this Trading Policy shall be required to reimburse the Company and/or other Affiliate Parties, fully and without limitation, for any losses that the Company and/or other Affiliate Parties may incur, and which arise, directly or indirectly, from such non-compliance. The Company may take any corrective and/or disciplinary action against the violators it so chooses.

The provisions of the Trading Policy do not preclude any liability arising from legal and regulatory requirements attributed to third parties not directly related to the Company, and who have knowledge of Material Information and may trade in Securities.



## 21.1 - Description of internal rules, regulation or procedures related to disclosure of information

The Company has a Policy on the Disclosure of Material Information and the Preservation of Confidentiality ("Disclosure Policy"), approved at the Meeting of the Board of Directors on December 18, 2019.

The purpose of the Disclosure Policy is to set out the rules that must be obeyed by the Investor Relations Officer and other Affiliated Persons regarding the disclosure of Material Information and the confidentiality of Material Information not disclosed by the Company to the public and the market in general.

For the purposes of the Disclosure Policy, the following terms apply:

- "Affiliated Persons": the Company, its Controlling Shareholders, Directors, and members of the Audit Committee and any entities with technical or advisory functions created by a statutory requirement, the Company's Subsidiaries and Associated Companies, and who, by virtue of their role, function or position in the Parent, Subsidiary or Associated Company, has or may have access to Material Acts or Facts. For the purposes of this Disclosure Policy, Affiliate Parties shall also be deemed to be other persons expressly appointed by the Investor Relations Officer, at his or her sole discretion, including employees, collaborators or other shareholders of the Company and/or of its Subsidiaries or Associates, who have or may have access to Material Acts or Facts.

The Company's Director of Investor Relations must analyze all concrete situations that occur throughout the Company's operations, always considering their materiality, sectorial specificity, concreteness or strategic relevance, in order to ascertain whether such situations constitute a Material Act or Fact.

In addition, the Company controls and manages identities to manage access to material information held on its management systems, document and content collaboration platforms and internal communities to prevent unrelated parties from accessing material information.

Affiliated Persons must keep confidential Material Information not yet disclosed to which they have access on account of the job or position they hold, until such Material Information is disclosed to the public, in addition to seeing to it that their subordinates and trusted third parties do the same.

Affiliated Persons must not discuss Material Information in public places. Likewise, Related Parties shall only deal with matters connected to the Material Information with those who need to know about such Material Information.

If any Affiliated Persons becomes aware that a Material Information that has not yet been released to the public has escaped the Company's control, or that a Material Fact or Act that has not yet been disclosed may have generated atypical fluctuation in the quotation, price or quantity of the Securities traded, such Related Party must immediately report such facts to the Company, directly to the Investor Relations Officer.

For further details about our Disclosure Policy see section 21.2 below.



## **21.2 - Description of internal rules, regulation or procedures related to disclosure of information relating to the maintenance of confidentiality about material undisclosed information**

The Disclosure Policy establishes the set of rules regarding the disclosure of Material Information and the confidentiality of Material Information not disclosed by the Company to the public and the market in general. The Disclosure Policy was drafted in accordance with The Brazilian Securities and Exchange Commission – CVM Instruction No. 358/2002. Disclosure Policy training, followed by an appraisal (a score of 80% is required for approval) and digital signing of the Instrument of Adhesion to the Disclosure Policy, becoming Connected Persons for the purposes provided for herein.

The obligations set out in this Policy apply to the following: (i) Managers, controlling shareholders, members of the Board of Auditors, members of any entity with technical or advisory duties within the Company, established under corporate bylaws; (ii) employees and executives with access to the Company's material information; (iii) any person who, due to his/her position or standing in the Company, its controllers, subsidiaries and affiliates, has access to information related to any material act or fact regarding the Company; and (iv) Related Persons associated to those listed in items (i) to (iii).

The Company's Director of Investor Relations is responsible for the following attributions, in addition to those required by law or determined by the CVM, the Corporate Bylaws or the Board of Directors of the Company:

- (i) Disclose and communicate to the CVM and Stock Markets, immediately upon becoming aware of any act or fact occurred or related to the Company's business activities and that constitutes Material Information; and
- (ii) Ensure the comprehensive and immediate dissemination of such Material Information to the Stock Markets simultaneously, as well as investors in general;

The Director of Investor Relations must communicate Material Information to the CVM and Stock Markets immediately via written documents, detailing the respective acts and/or facts and also disclosing, when possible, related amounts and other clarifications.

Material Information must be disclosed to the public through (i) the world wide web page of the Valor Econômico news portal ([www.valor.com.br/fatosrelevantes](http://www.valor.com.br/fatosrelevantes)); (ii) the world wide web page of the Company (<http://ri.totvs.com.br>); (iii) the CVM's Periodical and Eventual Information system (IPE system); and (iv) the world wide web pages of the Stock Markets in which the Company's shares are traded.

Notwithstanding the disclosure of Material Information through the aforementioned communication channels, any Material Information may also be published in newspapers of wide circulation commonly used by the Company, containing a summarized description of the Material Information, provided that such disclosure includes an Internet address containing the complete description of such Material Information, at least identical to the text submitted to the CVM, Stock Markets and other entities, as applicable.

Whenever Material Information are disclosed through any means of communication, including disclosure to the press or during meetings of class entities, investors, analysts or selected audiences, either in Brazil or abroad, such Material Information shall be simultaneously disclosed to the CVM, the Stock Markets and investors in general.

Any Affiliated Person who comes into contact with acts or facts that may characterize Material Information shall immediately notify the Director of Investor Relations, in order to ensure the immediate disclosure of such Material Information, or directly to the CVM, if the Director of Investor Relations refrains from disclosing such information.



The Company's Director of Investor Relations must analyze all concrete situations that occur throughout the Company's operations, always considering their materiality, sectorial specificity, concreteness or strategic relevance, in order to ascertain whether such situations constitute a Material Act or Fact.

When possible, Material Information must be disclosed before the beginning or after the ending of Stock Market trading sessions – preferably after the end of business activities where the respective Securities are traded. If the Stock Markets are not operating simultaneously, Material Information may be disclosed based on the opening hours of the Stock Market where the Company is primarily listed.

Acts or facts that constitute Material Information may not be disclosed if such disclosure may compromise the rightful interest of the Company.

The Company may choose to submit to CVM the question about the disclosure of Relevant Information that may endanger the Company's legitimate interest.

Whenever a Material Information still not released to the public falls beyond the Company's control, or if there is any atypical fluctuation in quotes, prices or quantities of Securities traded, the Director of Investor Relations shall ensure such Material Information is disclosed immediately to the CVM, the Stock Markets and the market in general.



### **21.3 - Managers in charge of implementing, maintaining, evaluating and monitoring the information disclosure policy**

All material information pertaining to this section was disclosed in the previous sections.



#### **21.4 – Other material information**

Acts or facts that constitute Material Information may not be disclosed if such disclosure may compromise the rightful interest of the Company.

The Company may choose to submit to CVM the question about the disclosure of Relevant Information that may endanger the Company's legitimate interest.