



Report on the Activities of the Statutory Audit Committee

Feb. 3, 2022





Introduction

The Audit Committee ("COAUD") of TOTVS was created on May 28, 2007, being provided for in the Company's Bylaws on April 5, 2018. On November 4, 2021 the Company's Board of Directors approved such Committee's Charter and the establishment of the Statutory Audit Committee ("CAE") that succeeded the former COAUD. The CAE was established in compliance with the requirements of CVM Resolution No. 23, of February 25, 2021.

The CAE's Internal Regulations sets forth as responsibilities of this Committee to ensure the suitable operation of the internal and external audit processes and management, mechanisms and controls connected to risk management and the consistency of financial policies with strategic guidelines and the business risk profile. The CAE is also responsible for ensuring the quality, integrity, and compliance of the Company's financial statements, making recommendations to the Management regarding the approval of financial reports and any actions aimed at improving internal controls and reducing risks.

During 2021, the CAE was composed of Messrs. Gilberto Mifano (Coordinator) and Mauro Rodrigues da Cunha, and Ms. Lavínia Moraes de Almeida Nogueira Junqueira, all of them independent members, and Ms. Lavínia Junqueira is an external member of the CAE.

The CAE members were elected on November 4, 2021, with a term of office to be effective until the first meeting of the Board of Directors subsequent to the Company's Annual Shareholders' Meeting in 2022. Mr. Gilberto Mifano was a member of the COAUD ever since he was elected on November 29, 2011 until November 4, 2021. Mr. Mauro Rodrigues da Cunha was a member of the COAUD ever since he was elected on April 28, 2016 until November 4, 2021. Ms. Lavínia Junqueira was part of COAUD ever since she was elected on December 29, 2020 until November 4, 2021.

Activities

In 2021, the Committee met nineteen times, of which twelve were ordinary meetings and seven were extraordinary meetings, with the members being present in 94.7% of such meetings. On February 3, 2022, the Committee examined the financial statements for the fiscal year ended December 31, 2021 and recommended that the Board of Directors approved them.

During the year, the Committee held frequent meetings with the Financial Officer and the financial area, and also with the Risk, Internal Controls and Compliance department, with the Legal Department, and with other heads of corporate and business areas with the purpose of deepening the discussions and knowledge of the various areas in which the Company operates, besides assessing situations that could expose the Company to risks, recommending measures to be adopted to the Board of Executive Officers and the Board of Directors. In addition, the Committee held private meetings with the Independent Auditors and, in all meetings, exclusive sessions between the Committee members. Those meetings intended to examine the quarterly reviews of the Financial Statements were also attended by the members of the Fiscal Council (aka Supervisory Board).

At each ordinary meeting of the Board of Directors, the Committee Coordinator submitted the Committee's recommendations and a report of its activities in the corresponding period for knowledge and discussion with the directors.



Topics discussed

The Committee met with the Company's vice presidents and executive officers, the chief internal auditor, independent auditors, and external advisors to deepen and monitor processes, internal controls, risks, potential deficiencies and any improvement plans, as well as to issue their recommendations to the Board of Directors and the Company's Management. The key topics covered were:

1. Independent Auditors

- Discussion of the service agreement for retaining external auditors, covering the required scope and culminating in the Committee's recommendation to the Board of Directors to replace the audit firm in 2021;
- Discussion of the planning, scope, and main conclusions reached in the quarterly financial statements (ITR), besides an opinion for preparing and issuing the 2021 financial statements (DFS 2021);
- Discussion of any weaknesses, deficiencies, and recommendations for improvement pointed out in the Internal Controls Report, as well as the corresponding action plans proposed by the internal areas with topics to be corrected or improved;
- Knowledge of the preview and ultimate results of the ISAE 3402/2021 report;
- Discussion and approval of the Independent Auditors' Work Plan;
- Review and recommendations to the Board of Directors regarding additional services provided by the independent auditing company;
- Novel approach to monitoring payments to independent auditors (audit fees, audit related fees, and non-audit fees);
- Discussions and monitoring of information on IT general controls (ITGC), access profiles, and segregation of functions;
- Annual assessment of the independent auditors' performance.

2. Internal Auditors

- Discussion of the Company's risk matrix applied to the Internal Audit activities, and approval of the audit work schedule for the 2022 cycle;
- Review and discussion of the reports of the Internal Auditors' work issued for the key processes, own units and franchises, including any deficiencies found, as well as the corresponding justifications and corrective actions;
- Follow-up of the corrective actions of the audit points identified in the Internal Auditors' work;
- Monitoring of compliance with the schedule for the year 2021, the scope of hours, and results of investigations carried out in special works;
- Review of the risk degree of likelihood and the names used to rank the deficiencies pointed out in Audit Reports, which started to be ranked as critical, high, and average deficiencies, and opportunities for improvement;
- Review and recommendation of the 2021 Internal Auditors' Activity Report (RAINT);
- Examination of the proposed Budget for the Internal Audit area for the year 2022;
- Annual cycle of assessment of the area and the performance of the head of the Internal Auditors department, as well as the determination of goals for the year 2022 and additional challenges. The Committee also validates the goals of the Internal Auditors team, which reports to the Chief Audit Officer; and



- Discussions and follow-up on recommendations for improvement in the Internal Audit area, according to a report prepared by specialized consultants.

3. Internal Controls, Corporate Risk Management, Compliance, and Client/Customer Ombudsman

- Discussions on the reporting structure of the Risk, Internal Controls, and Compliance area, recommending direct reporting to the Chief Executive Officer, which was approved by the Board of Directors;
- - Assessment and discussion of the Company's priority risk map, rated according to their impacts and chance of occurring, with the corresponding risk mitigation plans by those responsible for their performance, for a subsequent description of risk factors for updating the Reference Form;
- Follow-up of the new risk management monitoring cycle, recommending process improvements, establishing contact points between the Board of Executive Officers and the Board of Directors;
- Follow-up of action plans to improve IT general controls (ITGC), access profiles, and segregation of functions;
- Discussion of the Internal Controls Report (CCI) of the independent auditors, and monitoring of the corresponding action plans;
- Discussion the client/customer experience project, with processes and indicators of the client/customer journey;
- Follow-up of indicators and results, as well as any weaknesses of franchises;
- Discussion and follow-up of the service management project (PSA), including its implementation process in franchises;
- Follow-up of the implementation of action plans to meet the compliance program set forth by the Company's management;
- Follow-up of the adoption of compliance policies and practices by the Company's management and employees;
- Follow-up of the results of the NPS (*Net Promoter Score*) survey, economic *churn* indicator, and actions to retain and improve client/customer satisfaction with the services provided by the Company; and
- Review and recommendation on the conditions of Civil Liability Insurance for the Management members (D&O) and its renewal in year 2021.

4. Financial Management, Allowances, and Indicators

- Review and opinion for the Board of Directors to approve the quarterly and annual Financial Statements, including a follow-up of the content of the earnings releases;
- Review and recommendation to approve the proposals for statement and distribution of interest on net equity and dividends;
- Review of the proposal for the 2nd Subsequent Issue of Shares by the Company, and recommendation to the Board of Directors;
- Discussion and follow-up of procedures adopted to review the annual impairment tests and recoverability of deferred tax assets;
- Follow-up of the enforcement of the allowance for doubtful accounts policy;
- Discussion and follow-up of the capitalization of certain investments in research and development (R&D);
- Discussion of the terms in certain notices to the market, material facts, and presentation of results to the market;



- Periodic follow-up of activities and review of topics discussed by the Tax Affairs Committee and the Labor Affairs Committee;
- Follow-up and recommendations to the Board of Directors and the Board of Executive Officers on initiatives and operations involving mergers and acquisitions (M&A) transactions, establishment of commercial alliances, such as Joint Ventures, besides incorporating wholly owned subsidiaries, and review of Due Diligence reports, appraisal assumptions and risks of such operations, in compliance with the procedures set forth by the Board for such transactions;
- Follow-up of the additional payments planned for the acquired companies (*earn out*);
- Recommendations on governance requirements in M&A transactions;
- Monitoring of the credit risk and liquidity indicators of the subsidiary Supplier;
- Follow-up of the progress of the FIDC of the subsidiary Supplier, including with regard to the proper accounting of the transaction;
- Follow-up of specific actions connected to the COVID-19 Pandemic, its effects on the Company's operations and finances, and the Business Continuity Plan;
- Follow-up of the map of unmaterialized risks of civil, labor, and tax litigations; and
- Follow-up of provisions for labor, civil, and tax contingencies.

5. Corporate Governance

- Discussion and follow-up of the annual process of updating the Reference Form;
- Follow-up of the questions made and answers from the Management for official letters from regulatory bodies and self-regulatory entities;
- Review and improvements in the rules for triggering the crisis management plan;
- Discussion and recommendation regarding the approval by the Board of Directors for reviewing or amending the following policies and their eventual dissemination:
 - (a) Data Privacy;
 - (b) Corporate Information Security;
 - (c) Retaining and relationship with Independent Auditors;
 - (d) Risk Management, Internal Controls, and Compliance;
 - (e) Transactions with related parties;
 - (f) Levels of responsibility;
 - (g) Securities trading;
 - (h) Transactions with related parties;
 - (i) Indemnity for Management members.
- Discussion and recommendation regarding the approval by the Board of Directors of the Charter of the Statutory Audit Committee (CAE), in compliance with the requirements of CVM Resolution No. 23, of February 25, 2021;
- Discussion on the exclusive budget for the Committee, covering the expenses of the CAE itself, expenses with Independent Auditors' services, expenses of the Internal Audit area, and budget estimate for any hiring of independent external experts;
- Monthly follow-up of the activities of the Ethics and Conduct Committee, review of the complaints received by such channel and of the investigations carried out, as well as the corresponding measures adopted by the Management;
- Follow-up and discussion on the effects of the General Data Protection Law and follow-up of the project of compliance with/adherence to the requirements of the Law;
- Review of the governance aspects of the franchise network of TOTVS;
- Attend Annual General Meeting to clarify shareholders' questions;
- Review transactions carried out with related parties and make recommendations to the Board of Directors; and
- Audit Committee's annual self-assessment cycle.



Opinion from the Statutory Audit Committee (CAE)

2021 Annual Financial Statements:

The members of the Statutory Audit Committee of TOTVS S.A., in the performance of their legal duties and responsibilities, as provided for in the Statutory Audit Committee's Charter, proceeded to examine and review the financial statements, accompanied by the independent auditors' preliminary opinion and of the Management's annual report for the fiscal year ended December 31, 2021 (hereinafter, the "2021 Annual Financial Statements") and, considering the information provided by the Company's Management and by KPMG Auditores Independentes Ltda., as well as the proposal for the allocation of income for the 2021 fiscal year, have unanimously reached the conclusion that such annual financial statements reflect fairly, in all relevant aspects, the equity and financial positions of the Company and its subsidiaries, and recommended that the Company's Board of Directors should approve such documents, which shall be submitted to the Annual Shareholders' Meeting pursuant to the Brazilian Corporations Act.

Sao Paulo, February 3rd, 2022.

Gilberto Mifano

Coordinator of the Statutory Audit Committee and member of the Board of Directors

Mauro Gentile Rodrigues da Cunha

Member of the Statutory Audit Committee and of the Board of Directors

Lavínia Moraes de Almeida Nogueira Junqueira

Member of the Statutory Audit Committee