

ANNUAL REPORT 2019



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Foreword

At our 35th anniversary, with a history of successes behind us, we are pleased to again publish our annual report addressing the topics that are most material to our stakeholders.

As part of our continued commitment to building a sustainable business, in this report we share a little more about our history, the #Soulinx Culture and our business performance in 2019.

We hope you enjoy the report!



Message from the CEO

GRI 102-14, 102-15

The world is moving towards digital transformation, and the retail sector, in particular, is adopting changes that are reshaping the relationship between consumers and suppliers of products and services. Since beginning our journey in 1985, we have worked to bridge these two worlds—technological innovation and brick-and-mortar retail—to streamline management operations and drive operational efficiencies and profitability for our customers. We have pursued these goals in line with our purpose of bringing people and technology together through exciting shopping experiences.

2019 was without doubt a challenging year for the retail sector in Brazil. Yet we successfully maintained our strategy of expansion and structuring, within our aspiration to be the natural choice for omnichannel retail technology. We succeeded not only in continuing to expand our operations, both organically and through

acquisitions, but also in exploring new frontiers, such as direct access to international markets.

This strategy supported EBITDA growth of 18.9% over 2018. In a slow-growing economy, the retail sector is inevitably affected—and, as the largest player in the sector, our organic growth is directly dependent on retail growth. But the maturity of our management, governance and innovation processes enabled us to continue to deliver the most innovative solutions to our customers, while helping them to keep their businesses running in this turbulent year.

Year 2019 was positively marked by significant value creation through our strategy of franchise expansion and team development, and enhancements to our end-to-end platform solutions with new technologies. We believe Brazilian retail is on a path to a full-scale digital transformation and we want to be recognized as the preferred provider when this happens. To

this end, in 2019 we consolidated our third line of business, Linx Digital, a provider of e-commerce products, big data and machine-learning solutions, and omnichannel solutions.

Linx Pay Hub—a product line offering financial services for retail—completed its first full year of operation, providing customers with access to integrated solutions as well as our full range of innovations.

A strong pipeline of acquisition opportunities that make business sense for us—i.e. that can provide new capabilities or access to new market segments—has been crucial to the growth of the business. We completed three significant SaaS acquisitions in 2019, including Hiper, a developer of management software solutions for small retail businesses; Millennium, a developer of ERP solutions for brick-and-mortar and online stores within an omnichannel concept; and SetaDigital, a provider of ERP and POS



solutions for the footwear sector. Each of these acquisitions has strengthened our market presence and expanded our offering of solutions through cross-selling.

As an important highlight in 2019, Linx became the first Brazilian retail software developer to list on the New York Stock Exchange (NYSE). This has led us to further enhance our governance, as a company now subject to the Sarbanes-Oxley (SOX) Act, which applies to all



As an important highlight in 2019, Linx became the first Brazilian technology company to list on the New York Stock Exchange

U.S.-listed companies. And just as in Brazil we are subject to the rules of the Brazilian Securities Commission, we are now also subject to the rules and regulations of the U.S. Securities and Exchange Commission (SEC).

The initiatives implemented in 2019, and the positive results they delivered, have been enabled by our strategy but would not have been possible without the commitment of our employees. During the year, we strengthened the professional development of our workforce by creating Individual Development Plans, and leaders were trained to provide more regular feedback to their reports. The challenge of integrating employees from our different acquisitions in recent years led us to launch

a program aimed at instilling the Linx Culture organization-wide. We hope through the program to build an integrated internal culture with the active engagement of all employees.

The year was also important in laying the groundwork for our medium and long-term future. We have always recognized the importance of embedding sustainability—across the economic, social and environmental pillars—in our business. Indeed, one of our values calls for us to act with integrity and sustainability in everything we do. In putting this into practice, we have implemented policies on sustainability, and encouraged our teams to engage in volunteering for the benefit of their communities. Reflecting this commitment, we have created

a Sustainability Committee through which we will work to embed sustainability in all our decision-making processes.

An important change in our corporate governance structure in the year was the division of our Technology department into three separate pillars—Core, Digital and Pay Hub—to accelerate innovation processes.

The global COVID-19 coronavirus pandemic in the early months of 2020, which has affected all industries and sectors worldwide, has required us to adapt our planning to the post-pandemic market conditions. The disruptions resulting from shelter-in-place orders throughout Brazil have led to an immediate change in consumer habits. They have also brought to light the importance of technology solutions such as marketplace integration, e-commerce, delivery services and delivery apps.

But our biggest take-away from the crisis has been the importance of standing in solidarity with one another. This highlights another key aspect of our purpose and corporate culture:

contributing to the development, competitiveness and profitability of the retail sector by providing efficient tools and solutions. We are confident of our ability to pursue this direction while continuing to address emerging challenges and seizing opportunities for growth and innovation.

Alberto Menache CEO

2019 Highlights

STRONG MARKET PRESENCE



The leading retail software player, with a

42%
market share (POS/ERP)



Second largest player for digital retail solutions, with a

12%
market share



More than

100,000
merchant clients



R\$ 300 bn
in total transactions at year-end



4th
largest acquirer in the EFT segment after just one year



Around
900
websites using Linx Commerce



99%
retention rate



INTERNATIONAL IPO
Linx became the first Brazilian retail software developer to list on the New York Stock Exchange (NYSE)

NEW ACQUISITIONS



Hiper

A developer of management software solutions for small retail businesses



Millennium

A developer of ERP solutions for physical and online stores within an omnichannel concept



SetaDigital

a provider of ERP and POS solutions for footwear retailers



Continued consolidation of

Linx Digital,

launched in 2018 as one of our three business units



Integration with

Magalu and B2W,

connecting customer Omni strategies to marketplaces

About the Report

This report provides an overview of our performance from January 1 to December 31, 2019 across the economic, environmental, social and governance (EESG) dimensions. **GRI 102-50, 102-52**

The report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards—an internationally recognized framework for corporate reporting—five years after our most recent annual sustainability report, for fiscal year 2014.

GRI 102-51, 102-54

In the intervening period, we focused on structuring our Sustainability department at Linx and began to develop our Sustainability Strategy. We also developed a materiality matrix to inform the content of this report in describing our goals, targets and challenges, our management approach and our relations with stakeholders. **GRI 102-46**

We can now resume our sustainability reporting using a structured and continually evolving framework. Our financial statements, which were published on March 30, 2020 and audited by Ernst & Young, include information for Linx S.A. and its direct and indirect subsidiaries. The scope of the GRI disclosures throughout this report is specified on a case-by-case basis.

GRI 102-45, 102-56

If you have any questions or feedback about this report or our sustainability practices, please send an email to sustentabilidade@linx.com.br.

GRI 102-53



Materiality

GRI 102-42, 102-43, 102-46

With support from specialized consultants, we developed a materiality matrix in accordance with the GRI and other frameworks and standards, including those of the Sustainability Accounting Standards Board (SASB) and the Principles for Responsible Investment (PRI).

In addition to referencing these frameworks, we benchmarked our practices against those of leading companies in our industry, as well as eliciting the views of our key stakeholders. This led to a shortlist of 16 material sustainability topics potentially representing risks and opportunities for our business.

We then held in-person interviews with our executives, telephone interviews with investors,

customers and trade associations, and sent online questionnaires to other stakeholders, including employees, shareholders, customers, business partners and suppliers. **GRI 102-40**

This survey narrowed the shortlist to 10 topics rated as Very Material and Material.

GRI 102-44, 102-47



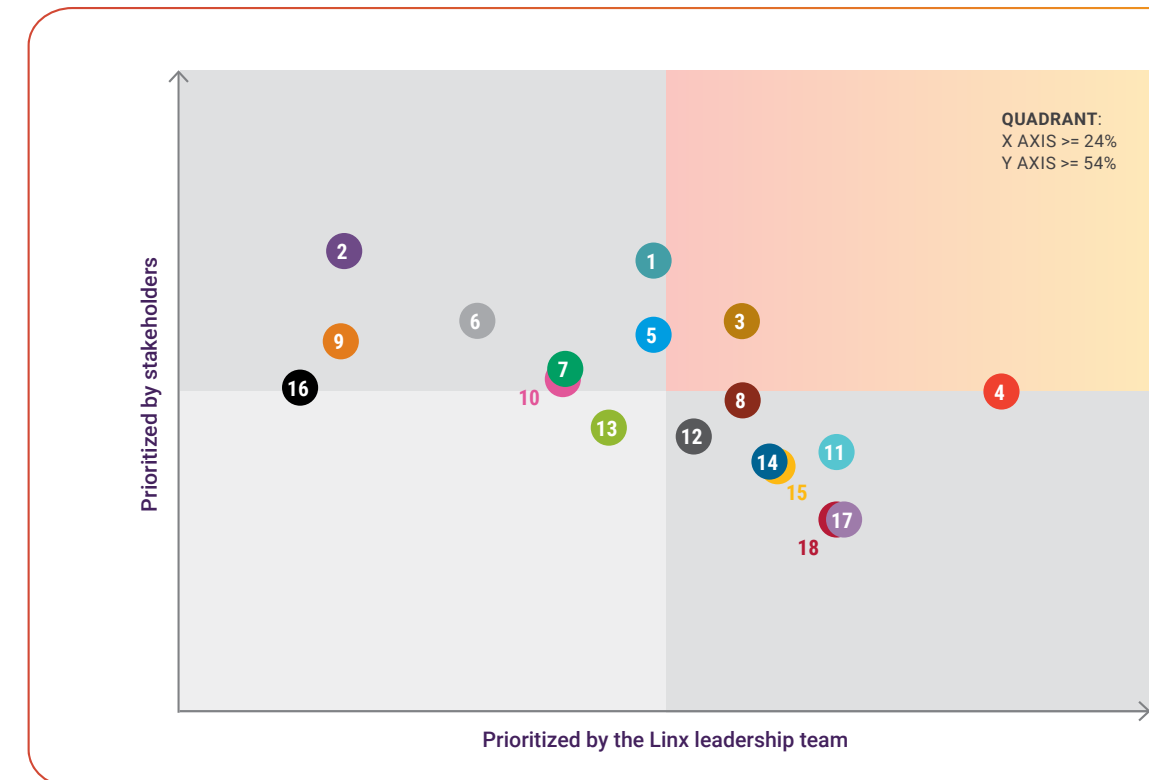
Material topics by order of relevance

VM VERY MATERIAL M MATERIAL P POTENTIALLY MATERIAL

	Our Material Topics	Average	Materiality
1	Training & Development	55%	VM
2	Measuring Carbon Emissions	52%	VM
3	Ethics	51%	VM
4	Customer Engagement and Improving the Customer Experience	49%	VM
5	Data Privacy & Security	48%	VM
6	Education & Development	46%	M
7	Compliance	44%	M
8	Corporate Governance	44%	M
9	Inclusion & Diversity	43%	M
10	Transparency	43%	M
11	Attracting and Retaining Talents	40%	P
12	Economic Performance	40%	P
13	Integrity	39%	P
14	Reputational	39%	P
15	Product Quality and Safety	38%	P
16	Energy Consumption	38%	P
17	Net Promoter Score (NPS)	37%	P
18	Research & Development	37%	P

Prioritized materiality matrix

The materiality matrix comprises 5 very material, 5 material and 8 potentially material topics



Impact boundaries GRI 103-1

Material topics	GRI Aspect	Disclosures ¹	Location of impacts (within and/or outside Linx)	Stakeholders affected
Training & Development	Training & Development	GRI 103 404 – Management approach – Training and development	Within and outside: training, capacity building and certification programs; employability; talent retention; responding to business needs.	<ul style="list-style-type: none">• Customers• Employees• Franchisees
		GRI 404-1 – Average hours of training per year per employee		
		GRI 404-2 – Programs for upgrading employee skills and transition assistance programs		
Measuring Carbon Emissions	Emissions	GRI 103 305 – Management approach – Emissions	Outside: managing impacts on climate change and/or air quality. Within: logistics efficiency.	<ul style="list-style-type: none">• Customers• Employees• Suppliers• Investors• Government and society
		GRI 305-1 – Direct (Scope 1) GHG emissions		
		GRI 305-2 – Indirect (Scope 2) GHG emissions		
		GRI 305-3 – Other indirect (Scope 3) GHG emissions		
		GRI 305-4 – GHG emissions intensity		
		GRI 305-5 – Reduction of GHG emissions		
		GRI 305-6 – Emissions of ozone-depleting substances (ODS)		
		GRI 305-7 – NOx, SOx, and other significant air emissions		
Ethics	Non-discrimination	GRI 103 406 – Management approach – Non-discrimination	Within: talent retention, fostering a wholesome and fair environment.	<ul style="list-style-type: none">• Customers• Employees• Suppliers• Investors• Governance Bodies
		GRI 406-1 – Incidents of discrimination and corrective actions taken		
	Anti-corruption	GRI 103 205 – Management approach – Anti-corruption	Within and outside: training, implementing and auditing compliance with our code of conduct and anticorruption manual; promoting integrity.	
		GRI 205-1 – Operations assessed for risks related to corruption		
		GRI 205-2 – Communication and training on anti-corruption policies and procedures		
		GRI 205-2 – Confirmed incidents of corruption and actions taken		
Customer Engagement and Improving the Customer Experience	Customer Satisfaction and Loyalty	NPS – Net Promoter Score	Within and outside: customer satisfaction and loyalty; profitability.	<ul style="list-style-type: none">• Customers• Employees• Investors• Governance Bodies

Material topics	GRI Aspect	Disclosures ¹	Location of impacts (within and/or outside Linx)	Stakeholders affected
Data Privacy & Security	Customer privacy	GRI 103 418 – Management approach – Customer Privacy GRI 418-1 – Substantiated complaints regarding breaches of customer privacy and losses of customer data	Within and outside: regulatory compliance; meeting customers' needs; customer satisfaction and loyalty.	<ul style="list-style-type: none"> • Customers • Employees • Investors • Governance Bodies
	Data Privacy & Freedom of Expression	SASB - TC-SI-220a.1. IT SOFTWARE & SERVICES – Description of policies and practices on user privacy and public behavior		
	Management of systemic risk of technology disruptions	SASB - TC-SI-550a.1. SOFTWARE & IT Services – Number of (1) performance issues and (2) service outages; (3) total client downtime		
Education & Development	Investment in training	ROI – Return on Investment in Training	Within: effectiveness of educational programs; investment allocation; responsiveness to employee and organizational needs.	<ul style="list-style-type: none"> • Employees • Investors • Governance Bodies
Compliance	Environmental Compliance	GRI 103 307 – Management approach – Environmental Compliance GRI 307-1 – Non-compliance with environmental laws and regulations	Within and outside: code of conduct training; compliance with laws and regulations; preventing liabilities.	<ul style="list-style-type: none"> • Employees • Investors • Governance Bodies
	Social and economic compliance	GRI 103 419 – Management approach – Social and economic compliance GRI 419-1 – Non-compliance with laws and regulations in the social and economic area	Within and outside: compliance with laws and regulations; preventing fines.	<ul style="list-style-type: none"> • Customers • Employees • Investors • Governance Bodies
Corporate Governance	Economic performance	GRI 103 201 – Management approach – Economic performance GRI 201-1 – Direct economic value generated and distributed	Within: business development in Brazil; return on shareholder investment. Outside: jobs; taxes.	<ul style="list-style-type: none"> • Employees • Investors • Governance Bodies
Inclusion & Diversity	Diversity and equal opportunity	GRI 103 405 – Management approach – Diversity and equal opportunity GRI 405-1 – Diversity of governance bodies and employees	Within: attracting and retaining talents. Outside: external recognition, an ethical and fair environment.	<ul style="list-style-type: none"> • Employees • Customers • Suppliers • Investors • Governance Bodies • Society
Transparency	Transparency in public environments	Management Approach: Information available in public environments (website, intranet etc.)	Within and outside: promoting transparency; employee development through structured processes; retaining talents.	<ul style="list-style-type: none"> • Customers • Employees • Suppliers • Media • Investors • Governance Bodies
	Training and Education	GRI 404-3 – Percentage of employees receiving regular performance and career development reviews		

¹ In addition to disclosures related to our material topics, Linx has chosen to report other specific disclosures that are important in describing and quantifying our sustainability performance. These include the following disclosures: GRI 401-1, 401-2, 401-3, 405-2 and 413-1.

About Us



02

About Linx

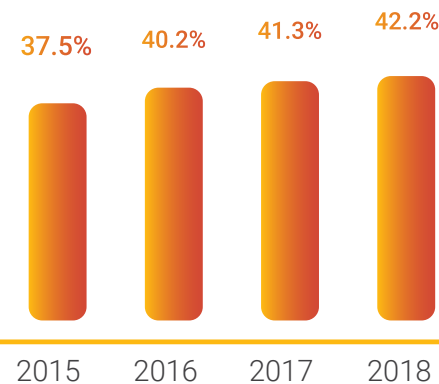
We are a Brazilian leader in retail technology, and one of the largest cloud-based technology companies in Latin America. We develop and provide software system solutions for a wide range of retail segments, using integrated technologies that enhance efficiency and profitability for our customers. **GRI 102-1**

Our company was founded in 1985 and we have since captured a 42.2% market share by revenue in the retail management software segment in Brazil, based on a recent survey by the International Data Corporation (IDC). We have grown in tandem with developments in technology and retail, both organically and through planned acquisitions under a strategy that has enabled us to access new solutions and niche markets.

We completed three significant acquisitions in 2019, including Hiper in April—a developer of management software solutions for small retail

businesses, founded in 2012; Millennium in June—a developer of ERP solutions for physical and online stores within an omnichannel concept; and SetaDigital in October, a provider of ERP and POS solutions for the footwear sector, founded in 2005. **GRI 102-10**

Market-share expansion



Data for 2019 were not available at the time of writing this report.



Geographic presence

Headquartered in São Paulo, southeastern Brazil, we have a presence in nine Brazilian states as well as offices in four other countries, with a total workforce of more than 3,500 people. We have been listed on B3 since 2013 and in 2019 became the first Brazilian technology company to list on the New York Stock Exchange (NYSE). **GRI 102-3, 102-4, 102-5, 102-6, 102-7**

Timeline: 35 years of history

1985 Microserv is founded by entrepreneur Nécio Fernandes (now Chairman of the Board of Directors). One of the pioneers in Brazil's IT sector, the company started in a garage in São Paulo, where the MicroMalhas retail management system was developed.

1990 Microserv partners with Ellus, establishing a presence in the apparel sector.

1994 Linx ERP for Windows is launched.

1999 Preparations for the Millennium Bug help the company to develop new capabilities and lay the foundation for growth in subsequent years.

2000 Channels Program launched to market the Linx ERP system.

2004 Linx founded by Nercio Fernandes, Alberto Menache, Alon Dayan and Daniel Mayo to consolidate group companies.

2008 First branch opened in Rio de Janeiro. Linx acquires Quadrant.

2009 Linx acquires CSI, Formata and Inter Commerce. Cloud Service launched.

2010 Branches opened in Belo Horizonte and Recife. Linx acquires Dia System and CNP.

2011 Linx acquires Custom, Spress and Microvix. Partnership with U.S. fund General Atlantic established.

2012 Linx acquires Compacta Tecnologia and Bitix. Linx Retail CRM launched.

2013 Linx lists on the B3 (BM&F Bovespa) *Novo Mercado* segment. Linx acquires Seller, LZT, Ionics and Opus Software.

2014 Linx acquires Rezende Sistemas, Softpharma and Big Sistemas.

2015 Linx acquires Chaordic and Neemu.

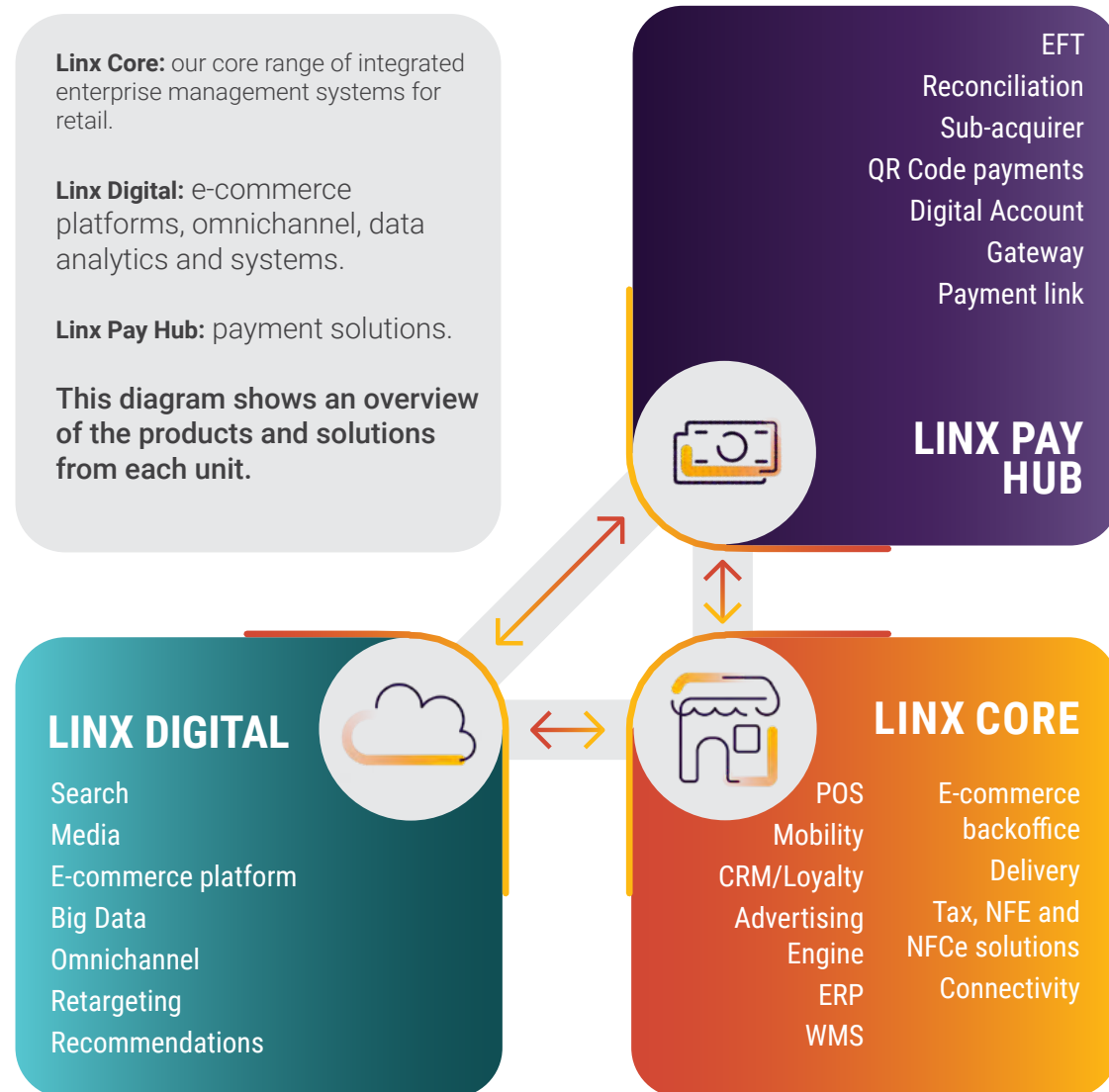
2016 Linx acquires Intercamp Sistemas.

2017 Linx acquires Synthesis, ShopBack and Percycle.

2018 Linx acquires Itec Brazil, Único Sistemas and DCG Group. Napse brand created through combining Linx with Synthesis. Linx Impulse created by combining Neemu, Chaordic, ShopBack and Percycle. Launched Linx Pay Hub, one of the company's three business units.

2019 Linx acquires Hiper, Millennium and SetaDigital. Linx lists on the NYSE. Partnership established with Napp.

Business units GRI 102-2



Geographies

We have a country-wide footprint through our network of 240 franchises.

Headquarters

São Paulo (SP)

15 branches in Brazil:

Goiás: Aparecida de Goiânia

São Paulo: Bauru, Bebedouro and Campinas

Minas Gerais: Belo Horizonte and Uberlândia

Santa Catarina: Blumenau, Florianópolis and Joinville

Paraná: Cascavel

Amazonas: Manaus

Rio Grande do Sul: Two in Porto Alegre

Pernambuco: Recife

Rio de Janeiro: Rio de Janeiro

International offices:

Argentina: Buenos Aires

Mexico: Mexico City

U.S.: Miami

Chile: Santiago

#Soulinx Culture

In our more than three decades of history as a company, we have completed a significant number of acquisitions that have extended our expertise and portfolio across a wide range of retail segments.

This diversity, which helps to promote a plurality of viewpoints within Linx, has been translated into a unique and comprehensive corporate culture.

In 2019 we developed a project, called the #Soulinx Culture, which has engaged employees across different business functions and locations in an ethical, transparent and collaborative environment. This has fostered a cultural transformation that has strengthened engagement around our purpose and vision, realigned our values and helped to build the #Soulinx Manifesto.

Manifesto

Every new customer, a new relationship built on trust. And every happy buyer, an achievement.

Exciting shopping experiences are driven by passion!

Behind every good memory there's an effort by hard-working and dedicated people.

People working behind the scenes, who create new technologies and celebrate every time a buyer or a store owner achieves their dreams.

At Linx we work shoulder to shoulder with customers, tackling their challenges as if they are our own—from the most trivial to the most complex.

We get things done together. And in the process, we learn and grow together with our customers and the market.

We embrace a diversity of ideas and excel at making them happen.

We are tireless in building the future we aspire for.

A future of targeted and innovative shopping journeys;

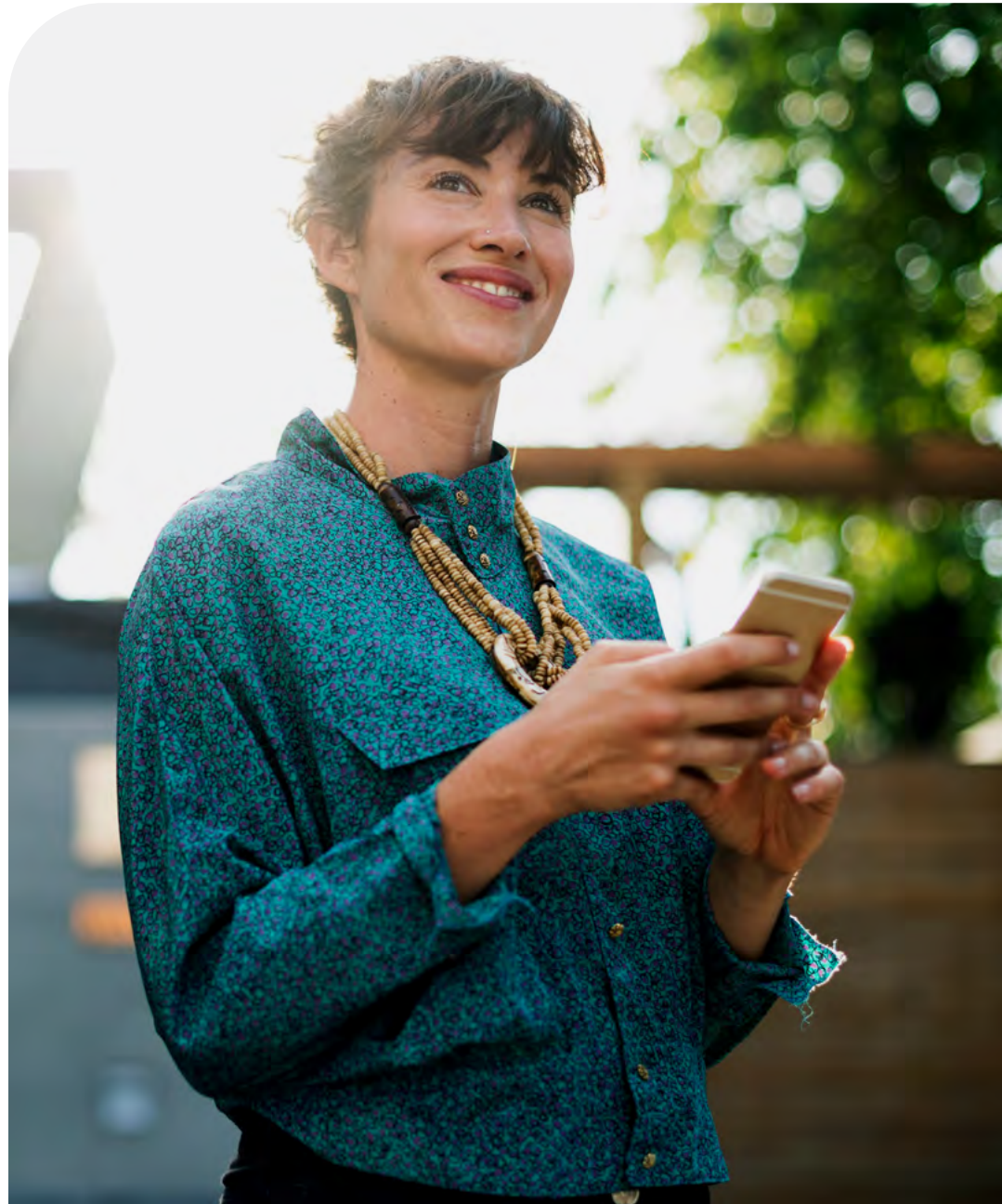
Of brands that deliver a seamless, cross-channel experience;

Of technologies that truly improve people's lives and of a genuine desire to contribute to society and the environment.

Because we are curious; we are ambitious; we own what we do; we are tireless.

And it is this way—through a responsible and efficient team—that people and technology come together to deliver exciting shopping experiences all around the world.

LINX: TECHNOLOGY THAT POWERS RETAIL



Purpose, vision and values GRI 102-16

Purpose

Bring people and technology together through exciting shopping experiences around the globe.

Vision

To be a natural choice when it comes to omni retail technology.

Values

- Customer success comes first (Customers)
- Our Team Rocks! (competent, skillful and amazing!) (Valuing people)
- Eager for results (Results)
- Innovation at the core! (Innovation)
- Here, we're all owners (Ownership)
- We take care of our future today (Ethics & Sustainability)

Awards and recognition

In addition to a leading position in the Brazilian market, our delivery of high-quality products and services has earned us extensive recognition over the years. See below some of the awards and rankings that we received in 2018 and 2019

- > **Época Negócios Yearbook 2019** – 3rd place for Corporate Governance; 5th place for Innovation and 5th place for Future Vision (among technology companies); and 69th in the overall ranking.
- > **Informática Hoje Yearbook 2019** – 51st place among the 200 top IT companies in Brazil.
- > **Telecom Yearbook** – Company of the Year in the Software category in 2018 and one of the 100 top companies in the telecommunications list in 2019.
- > **InforChannel 2019** – Reader's Choice in the Retail Automation – Applications category.
- > **ABComm Digital Innovation Awards** – 1st place for Best Digital Marketing Tool and 3rd place for Best E-Commerce Platform in the 2019 edition of the Brazilian E-Commerce Association Awards.
- > **Executive Teams Latin America 2018** – 1st for Best Investor Relations Team (Overall), 2nd in the Best CEO (Sell-side) and Best Investor Relations Professional (Overall and Buy-side) categories, and 3rd in the Best CFO (Buy-side) category in the *Institutional Investor* awards.
- > **Exame Biggest & Best List** – One of the 100 largest listed companies in Brazil in 2019.
- > **Valor1000** – One of the 1,000 largest companies in Brazil in 2018 and 2019; 2nd place for Current Liquidity and 9th for EBITDA Margin and Operating Margin in the IT&Telecom industry in 2019.

Strategic Roadmap

We have developed a Strategic Roadmap for 2020 using the Balanced Scorecard (BSC) framework to set key goals across the following dimensions: financial, market and customers, and processes and people. The primary goals in the Roadmap include:

- > **Financial:** improve net revenue while preserving profitability and laying the groundwork for future investments.
- > **Market and customers:** supporting customers' success, increasing customer proximity by offering channels such as franchises, service partners and digital branches, and expanding market share by leveraging synergies between business lines.

- > **Processes:** enhance governance and internal controls and develop new products and offerings.
- > **People:** sustainably improve employee performance by strengthening our corporate culture.



Organizational structure

In 2019 we adapted our management model to reflect our strategic plan: five supporting functions now cater to our core business functions, each of which has its own R&D capabilities.



Our COVID-19 Response

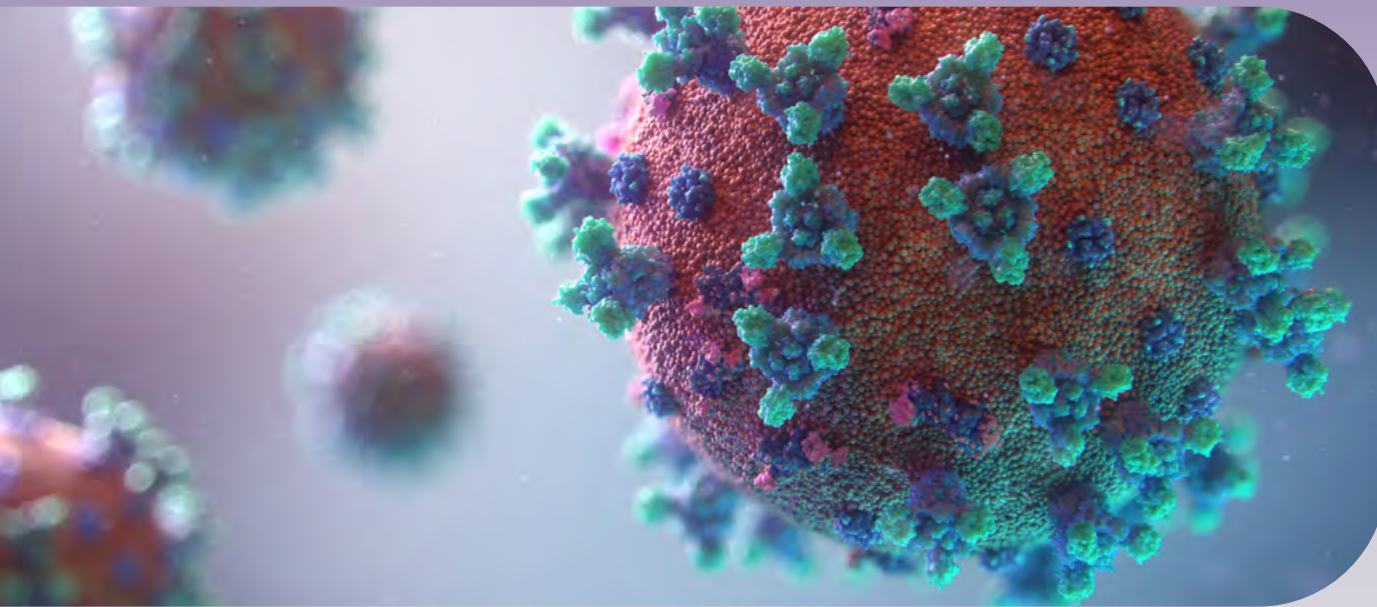
The SARS-CoV-2 coronavirus outbreak in the first quarter of 2020 created a global crisis. People’s daily lives were disrupted by “shelter-in-place” restrictions in several countries; governments were required to adapt their healthcare systems to receive large volumes of patients; and companies in all industries were faced with the challenge of either adapting or suspending their operations and losing the revenues they would otherwise have generated in this period.

Many of our customers have been faced with adverse situations, such as the temporary closure of physical stores and reduced consumption—especially in industries not related to staple items such as food, healthcare and personal care. The effects on Brazil’s retail market, both broadly and on our operations specifically, are still uncertain; so far, sales volumes processed through our systems have dropped by an average of 50% as of the end of March. On the upside, there has been a strong increase in demand for

technology-enabled solutions—such as delivery apps and store integration with marketplaces.

As outlined in our Business Continuity Plan, the Board of Directors established a Crisis Committee of representatives from all business units to centralize decision-making. Through the Committee, Linx has managed the different stages of the crisis by adapting and taking measures appropriate to the shape of the coronavirus infection curve.

The Crisis Committee’s primary goal is to keep our teams safe while keeping our operations running. The Committee has also held daily meetings to assess developments and the effectiveness of ongoing initiatives, and to respond promptly. We also developed a communication plan to disseminate related information transparently and in a timely manner to all stakeholders, both internal and external, and to the broader market.



To protect the health of our employees, we intensified workplace hygiene procedures and provided alcohol-based hand sanitizers, masks and thermometers for use at the workplace. We implemented internal COVID-19 awareness campaigns, monitored potential cases and accelerated our flu vaccination campaign.

Previously scheduled travel and events were either canceled or postponed, and all employees were instructed to work from home using corporate audio and video conferencing tools.

To enable employees to work remotely from home, our systems and tools were adapted and instructions and manuals were provided to ensure information security.

In the second phase, we monitored the coronavirus epidemic curve in Brazil and issued guidance on maintaining business continuity. Below are some of our initiatives in each dimension:



Digital opportunities

Linx has developed technology to help merchants sustain sales through the COVID crisis. Solutions have been created for different types of sales and payment methods that will continue to drive digital opportunities post-pandemic—digital transformation is preparing customers and merchants for a delivery-intensive “new normal”. Available solutions include tools to integrate physical stores in different segments with marketplaces, such as **Linx Commerce for Pharma**, a rapidly implemented e-commerce platform for pharmacies and drugstores, and LinxPay for telemarketing support. Other solutions include our **Delivery App (Neemo)**, a delivery platform that enables restaurants to receive orders on their website or app, or via messaging services such as WhatsApp and Facebook Messenger; **POS TEF**, which is helping service stations to implement safe distancing by allowing customers to make payments without

leaving their vehicles; and **Linx Fast Seller**, a solution that allows stores under temporary closure (such as in shopping centers) to integrate their products, inventories and pricing with marketplaces and apps such as Rappi.



People

As long as necessary, we will monitor suspected cases of COVID-19, including employees returning from international travel and employees who remained on our premises after the outbreak. Other measures have included early H1N1 flu vaccination; strengthening our Employee Support Program (PAC) channel to provide any needed psychological support and financial counseling; providing masks to employees engaged in on-site project implementation; providing online physician and nutritionist consultations; initiatives to improve employees’ quality of life during quarantine through our Climate Committee; and providing “welcome back” kits with masks

and alcohol-based hand sanitizers. The communication plan launched in the first phase was maintained—and enhanced with weekly live streams from executives—to keep our team informed about our response. Employees were also encouraged to spend banked hours and take eligible vacation days.



Financial

Linx has taken a number of cash preservation steps including cost-cutting in our cloud operations, a brake on acquisitions, a freeze on new job vacancies and promotions, cancellation or postponement of business travel, and a reduction in purchase orders. We also entered into negotiations with the Brazilian Development Bank (BNDES) and labor unions, and renegotiated trade payables with suppliers. Additional actions have included renegotiation of customers' payment terms and postponing payments, outlook assessments by business line, and reduced dividend payments in 2020.



Processes

Remote work has been monitored on the basis of internet bandwidth usage and number of technical support tickets. Our Strategic Roadmap and physical processes at Linx (procurement, invoice issuing etc.) have been revisited; and we have established processes for tracking legal claims (such as claims arising from the Brazilian General Data Protection Act and the US Sarbanes-Oxley (SOX) Act), customer default and contract renegotiation.



Market and customers

We have continuously monitored developments during the crisis and its effects on the different sectors in which we are present, such as restaurants, shopping centers and drugstores. We have also directed attention at this stage to the higher demand for delivery apps, and the need for integration between physical stores and marketplaces.

Keeping up the optimism

Although the current crisis is unprecedented, we are confident that Linx will resume normal operation as soon as the pandemic dissipates—this recovery is the third phase in our Contingency Plan. We currently enjoy a certain degree of financial protection (approximately 80% of our revenues are monthly subscription fees generated by the use of management software and integrated services) and are well capitalized. In addition, investments in recent years in migrating solutions to the cloud have enabled these solutions to be accessed remotely, providing increased resilience to the likely contraction of the retail sector in the second half of 2020. Supported by our management approach during this critical period of the coronavirus pandemic, and our economic and financial sustainability, we are confident that we will be in a position to positively contribute to the Brazilian retail sector at a time in which it will be in desperate need of ways to become profitable and competitive, with the support of innovative, technology-enabled solutions. Digital transformation initiatives in retail, including e-commerce, omnichannel (OMS) and delivery apps, will unlock new opportunities in this regard.

Partnerships against the crisis

Recognizing our role in supporting communities in this unprecedented chapter of modern history, we have established strategic partnerships to aid the COVID-19 response.

Among these is a program called **Salvando Vidas** (“Saving Lives”)—a matchfunding initiative in partnership with the Brazilian Development Bank (BNDES) that is raising funds to help meet the demand for medical and hospital equipment at nonprofit hospitals, which account for 40% of available beds in the National Healthcare System (SUS).

Linx donated R\$ 1 million to the Saving Lives program to help tackle the novel coronavirus by:

- Purchasing equipment and services, such as medical and hospital equipment;
- Structuring and operating a fund to raise additional direct donations and crowdfunding (from both individuals and businesses).

The project will purchase personal protective equipment for health professionals, such as masks, gloves, aprons, hair covers, goggles, 70% alcohol and equipment to aid patient survival (ventilators, monitors, hospital bedding, etc.), helping to protect front-line health professionals and improve treatment infrastructure.

Linx projects are helping communities to tackle the COVID-19 crisis



Recovery plan

We are following the evolution of the pandemic on a daily basis, and have built a recovery plan that includes:

- Establishing a Return to Work Committee at each site;
- Observing municipal and state decrees in relation to resuming operations;
- Resuming activities in a decentralized manner, in accordance with established protocols;
- A more targeted approach, with minimized investment and operating costs;
- Establishing a Home Office Policy for Linx employees.

Corporate Governance

03

Business model

Our history has been marked by continuous improvement of our management model to embed social responsibility, environmental stewardship, integrity and economic performance in our management. Sustainability is an important value for us, and we believe it is essential that we work to secure our future today.

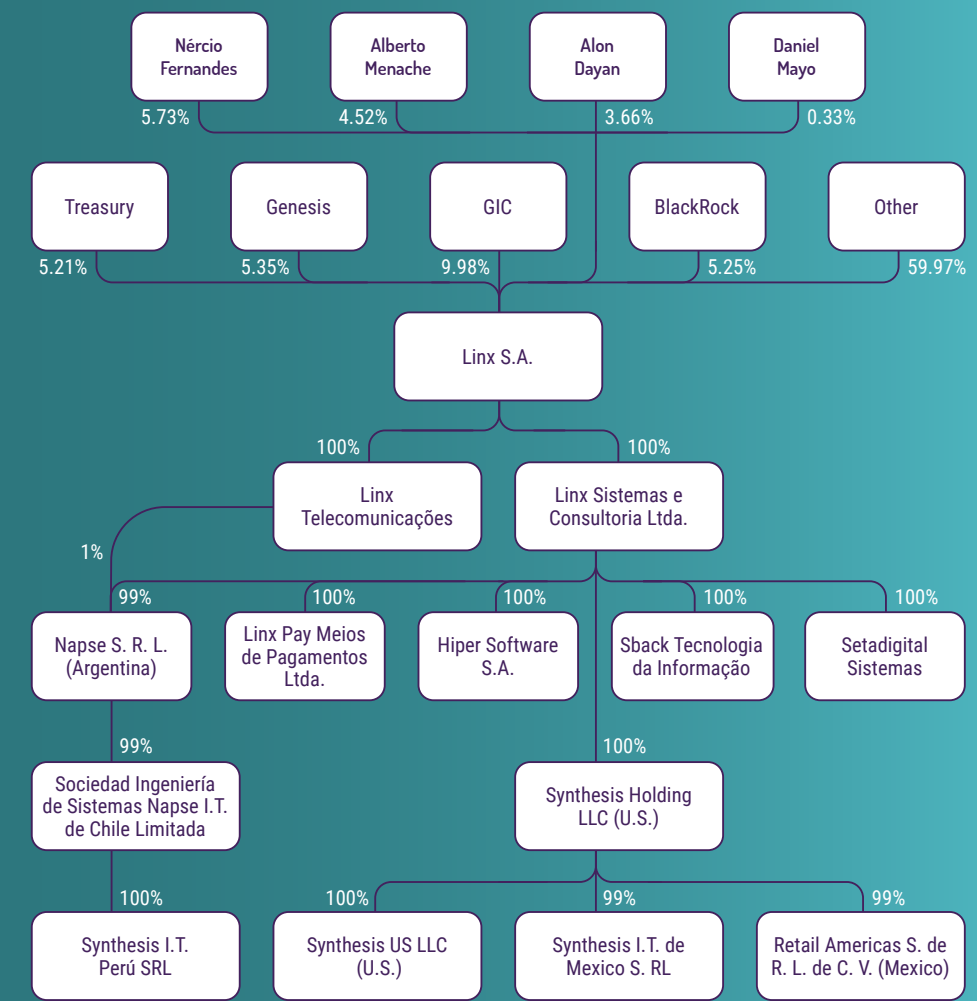
As a company listed on the B3 *Novo Mercado* segment since 2013, when we went public on the then-BM&F Bovespa stock exchange, we have adopted Brazilian generally accepted best practices in corporate governance. In 2019, with our listing on the New York Stock Exchange (NYSE), we initiated a process to achieve compliance with the Sarbanes-Oxley (SOX) Act, which applies to all U.S.-listed companies.

Shareholders	Number of shares	Percent
Founding shareholders	26,982,764	14.24%
GIC Private Limited	18,900,432	9.98%
Genesis Asset Managers	10,124,454	5.35%
BlackRock Inc.	9,950,316	5.25%
Treasury shares	9,869,772	5.21%
Other	113,581,222	59.97%
Total	189,408,960	100%

Data as of 12/31/2019.

Our management approach seeks continual improvement and alignment with best governance practices

Shareholders and group companies



Governance Structure

GRI 102-18

Our highest governance body is the Board of Directors. (Nércio José Monteiro Fernandes, Alberto Menache, Alon Dayan, João Cox Neto, Roger de Barbosa Ingold). In 2019 was composed of five members elected by the the General Meeting for unified terms of two years. The Board exercises oversight of the company jointly with the Statutory Board (Alberto Menache, Flávio Mambreu Menezes, Jean Carlo Klaumann, Gilsinei Valcir Hansen, Antônio Ramatis Fernandes Rodrigues, Dênis Nieto Piovezan), which in 2019 was composed of the CEO, five executive vice presidents and a director appointed by the Board of Directors.

GRI 102-8

Our Audit Board is a non-permanent body that in 2019 had three members (Marcelo Amaral Moraes, João Adamo Júnior and Flávio Cesar Maia Luz) and three advisory committees: the

Audit Committee, People Committee (formerly the Compensation Committee) and Strategy Committee. We also have a Sustainability Committee, a non-statutory body created in 2019 that reports to the Executive Board.

With eight members, including a coordinator, the Sustainability Committee was established in October with a mission of discussing, assessing and validating strategic sustainability topics spanning all areas of the company. The goal is to embed sustainability into our decision-making processes and foster corporate sustainability practices in our businesses and among our stakeholders. The team, which holds two monthly meetings, monitors our social and environmental indicators as one of its tasks.

As another organizational change in the year, we abolished the Technology department in

a strategy to streamline existing innovation and product development processes. This department was divided into three research and development (R&D) functions, one for each operations department (Core, Digital and Pay).

Information about the composition of our Governance bodies is available on the **Linx Investor Relations Website**. **GRI 102-22**

Information about the procedures for nominating and electing members of the Board of Directors, their collective expertise, remuneration policies and processes and performance review mechanisms are detailed in the **Linx S.A. Reference Form 2019**. **GRI 102-24, 102-27, 102-28, 102-35**



Conflicts of interest GRI 102-25

Linx implements recommended and/or regulatory corporate governance practices to identify any conflict of interest, although no specific mechanism is in place. Among these practices are the *Novo Mercado* Listing Rules, under which shareholders are not entitled to vote in general meeting resolutions relating to appraisal reports of assets contributed by such shareholders to the share capital and to the approval of their accounts as members of the Company's management, nor on any other resolution that may benefit such shareholders in a particular manner or that may represent a conflict of interest with the company.

Risk Management

GRI 102-15

Due to our presence in the retail sector, we are subject to impacts from factors affecting the performance of the broader economy

In more than three decades of operations, we have witnessed a wide range of macro economic risks materializing into crises, with immediate effects on the purchasing power of consumers and the ability of retailers to continue as going concerns.

High inflation rates up to the early 1990s, negative foreign perceptions of the Brazilian economy, high interest rates, uncertainty around foreign-exchange policy and political volatility in recent years are some of the factors that have led us to continuously monitor the economic and political situation in Brazil in order to prevent, or at least mitigate, negative effects on our operations.

Our revenues are to a great degree dependent on licensed management software and services; virtually all our revenues are derived from subscription fees, or the monthly amounts customers pay to use our systems. We are therefore exposed to the risk of revenue losses in the event that our customers are faced with adverse market conditions, reducing demand for our products.

In addition, we may lose market share if competition increases or we are unable to develop and offer innovative technology solutions that are responsive to changes in and the needs of the retail sector.

To address these factors, in July 2019 we implemented a Corporate Risk Management Policy developed over the previous year. The Policy establishes key concepts and guidelines on identifying, assessing, prioritizing and addressing risks. In the Policy, risks are divided into four categories.

CORPORATE RISK MANAGEMENT POLICY CATEGORIES

- > **Strategic risks:** risks related to decisions by senior management which could result in substantial losses in company value. These risks include planning errors and the Company being unable to implement strategic plans or to adapt to the business environment.
- > **Financial risks:** those with the potential to cause financial losses for the company, such as:
 - > *Liquidity risks* – The Company being unable to honor its obligations or facing cash-flow restrictions due to a mismatch between payments and revenues.
 - > *Market risks* – Potential financial losses due to changes in risk factors affecting assets, liabilities and derivatives. This includes the risk of changes in foreign exchange rates, interest rates, share prices and the prices of inputs.
- > *Credit risks* – Losses arising from third parties' failure to pay amounts owed to us under contract.
- > **Operational risks:** risks related to the Company's infrastructure (processes, people and technology) which could undermine our operational efficiency.
- > **Regulatory risks:** risks arising from non-compliance with legislation applying to our industry and to other areas, including labor, civil, tax or environmental law.



Our new Corporate Risk Management Policy became effective in July 2019

Risk rating – Following identification and assessment, risks are rated through a process to determine which risks need to be addressed and in what order of priority. The risk rating process uses a matrix with two dimensions, impact and vulnerability, which are rated at four different levels: very high, high, medium and low.

The impact assessment evaluates risks in terms of their potential effects on our operations using quantitative and qualitative assumptions on potential effects, for example, on our reputation and image. Vulnerability refers to the level of exposure to each risk based on aspects such as the effectiveness of internal controls; the level of influence that management has on the relevant risk factor; how fast the risk could materialize; and historical incidents.

We then address each risk according to its criticality based on an opinion of the Audit Committee.

For risks rated as “accepted risks”, no action is taken to mitigate the likelihood of occurrence and/or the severity of the risk. Where the cost of managing a risk is greater than its potential impact, that risk can be accepted provided it is known to and accepted by the Audit Committee. However, all risks must be continually monitored to ensure that the Company will take appropriate action where there are changes in circumstances warranting a change of risk status.

Where a risk is rejected, this means the Company will not accept that risk as it currently exists. In this case, the Audit Committee applies one of the methods below:

- **Avoid:** not run the risk and discontinue any activities generating that risk. Avoiding the risk could result in product lines, services, business divisions or processes being discontinued.

- **Mitigate:** action is taken to reduce the likelihood of the risk materializing and/or its severity. This involves improving or creating controls and process improvements.
- **Share:** action is taken to reduce the likelihood of occurrence and/or the severity of the risk by transferring or sharing part of the risk with third parties, such as through insurance policies, outsourcing and hedging.

Continual assessments are performed to monitor the risk management process, and are communicated transparently to all stakeholders.

Responsibility for our risk management process is shared by the Board of Directors, the Executive Board, the Audit Committee, business functions and the Corporate Compliance and Risk Function.

We are currently in the process of implementing and evolving our risk management structures to achieve compliance in 2020 with B3 **Novo Mercado** listing rules and SOX regulations.



Responsibility for sound risk management is shared by our governance bodies



Ethics and Transparency

GRI 102-16, 102-17

Everything we do is guided by universally accepted ethics principles based on transparency, honesty and respect. Ethics is among our values: “We take care of our future today (Ethics & Sustainability).” It was also deemed by stakeholders as a material topic in our materiality exercise, as a guiding pillar in the way we do business, lead our teams and engage with suppliers and other stakeholders.

Among the principles within this topic is “ensuring our relationships are free of discrimination based on race, color, religion, sexual orientation,

political affiliation, age, social status, fiscal restrictions or any other form of discrimination.”



Anti-corruption

GRI 103-1, 103-2, 103-3, 205, 307, 406, 419

Although we have had no substantiated instances of corruption within the Company we have taken a number of steps to ensure compliance. For example, all transactions directly with government agencies or authorities responsible for awarding permits, concessions and other clearances are monitored by our internal and independent audits. **GRI 205-1, 205-3**

We also instruct 100% of our team—including direct as well as third-party employees working for Linx—to adhere to the guidelines set forth in our **Code of Conduct** and our **Anticorruption Manual**, which describes the standards of conduct expected in dealings with government officials, based on the Brazilian Anticorruption Act (Act 12846/2013).

The Code of Conduct—which also contains rules on our interactions with customers, markets, franchisees, suppliers, communities, the environment, the media, government agencies, competitors, labor unions and other stakeholders—was revised in 2019 and a new edition was issued in November.

All newly hired employees receive induction training and copies of the Code of Conduct and Anticorruption Manual, and are required to sign affirmation statements. **GRI 205-2**

Reporting hotline

Any person can anonymously and securely report any wrongdoing involving corruption, fraud or any violation of our Code of Conduct through a reporting hotline. The tool is managed by a specialized firm and ensures all cases are handled confidentially and objectively. Reports can be made via the following telephone number, website or email address. Training on the subject is planned for our leadership team in 2020.

phone:
0800-891-4636

website:
www.resguarda.com/linx

email:
etica.linx@resguarda.com

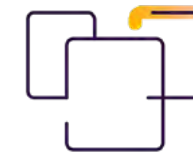
Other policies

In addition to our Code of Conduct and Anti-corruption Manual, we have a number of related internal policies and, as part of a continual improvement process, several policies were created or revised throughout 2019

- > **Bylaws** – general rules of conduct and interaction with society, in alignment with the B3 *Novo Mercado* listing rules.
- > **Supplier Code of Conduct** – provides clarity around the ethical conduct we expect of suppliers in commercial dealings and helps to disseminate these principles in our value chain.
- > **Donation & Contribution Policy** – contains a set of procedures for donations and contributions to election campaigns, charities, foundations and nonprofit organizations.
- > **Related-Party Transaction Policy** – sets out Company rules and procedures for related-party transactions to ensure that

transparency and best practices in corporate governance are observed.

- > **Policy on Engaging Independent Auditors for Non-Audit Services** – ensures our financial statements are fairly presented in accordance with the generally accepted accounting principles in the jurisdictions where we operate.
- > **Securities Trading Policy** – establishes rules on ensuring compliance by our employees with established standards of conduct in trading Company securities.



Our policies are continuously revised in response to market developments as part of a continual improvement process

- **Material Fact Disclosure Policy** – outlines internal procedures to ensure full compliance with legal and regulatory requirements on disclosure of material facts.

- **Volunteering Policy** – Launched in December 2019, this policy contains guidelines on employee volunteering activities and how to engage in volunteering in alignment with our strategy.

- **Corporate Risk Management Policy** – establishes guidelines on risk management within the Company. **Learn more in Risk factors**

- **Board of Directors Nomination Policy** – a list of minimum requisites for nominating members of the Board in accordance with best governance practices and applicable legislation.

- **Audit Committee Rules of Procedure** – sets out rules of procedure for the Audit Committee, which advises the Board of Directors in its oversight of our financial reporting and other activities.

- **Stock Option Plan** – a plan approved in an Extraordinary General Meeting establishing general rules on long-term incentives for certain directors and employees based on stock options awarded and approved by the Board of Directors.

- **Deferred Stock Option Plan** – a plan approved in an Extraordinary General Meeting establishing general rules on long-term incentives for certain directors and employees based on shares in the Company awarded and approved by the Board of Directors.



People



04

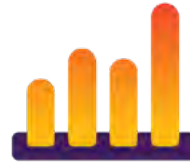
Our People

GRI 102-8, 103-1, 103-2, 103-3, 401

Our expansion is reflected in the size and caliber of our human capital. We ended 2019 with a workforce of 3,658 people in our operations in Brazil, 16.8% more than at year-end 2018. The increase reflects both employees from acquisitions and employees hired to new positions, which we seek to fill with top-talent professionals who are aligned with the #Soulinx Culture and the needs of the business.

In 2019 we implemented a recruiting and selection tool that is integrated with our online HR system to provide greater R&S effectiveness, control, information and indicators. In 2019 we participated in a range of events to strengthen our reputation as an employer and build closer

links with the academic community. As part of our Code Experience program, for example, 50 students received training, 20 were interviewed and four were hired to supporting and development functions. The Code Experience program establishes collaborations between schools and businesses in which students participate in real-world projects and are mentored by IT professionals so they can develop technical and behavioral skills that the market is looking for. In 2019, our Recruiting & Selection and Sustainability functions organized the program in partnership with the São Paulo Industry-Led Training Service (SENAI-SP), an organization recognized for its high-quality teaching and state-of-the-art infrastructure.



Mission for 2020:

Strengthen our reputation as an employer to attract professionals who are increasingly aligned with our culture

LINX – Employer reputation

More than **148,000** applications received on the VAGAS.com portal, an average of **252** candidates per vacancy

47% increase in LinkedIn followers, reaching **120,000** followers at year-end

Events at 12 branches:

- > **40** lectures
- > **38** mentoring sessions
- > **4** hackathons
- > **5** meetups
- > **14** fairs
- > **14** working days
- > **144** initiatives
- > **232** employees involved

Employee profile data

Workforce by employment contract, employment type and gender¹ GRI 102-8

All contracts are for an indefinite term and all employees are full time	2018			2019		
	Men	Women	Total	Men	Women	Total
	2,081	958	3,039	2,499	1,159	3,658

Workforce by region and gender GRI 102-8

Region	2018			2019		
	Men	Women	Total	Men	Women	Total
Midwest	51	15	66	53	15	68
Northeast	98	27	125	105	24	129
North	27	8	35	22	7	29
Southeast	1,269	633	1,902	1,561	785	2,346
South	636	275	911	758	328	1,086
Total	2,081	958	3,039	2,499	1,159	3,658

¹ All Human Resources information is for our operations in Brazil.

² Analysts.

³ Assistants and interns.



Workforce composition

Workforce by employee category and gender GRI 102-8

Employee category	2018			2019		
	Men	Women	Total	Men	Women	Total
Executive Board	41	8	49	60	6	66
Managers	136	41	177	164	49	213
Leaders/coordinators	112	48	160	147	72	219
Technical/supervisor	221	56	277	243	80	323
Administrative ²	1,486	627	2,113	1,706	730	2,436
Operational ³	85	178	263	179	222	401
Total	2,081	958	3,039	2,499	1,159	3,658

Workforce by age group GRI 102-8

	2018	2019
< 30	1,083	1,556
30 to 50	1,804	1,940
> 50	152	162
Total	3,039	3,658

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER¹ GRI 401-1

Employees hired	2018		2019	
By age group	Number	Rate	Number	Rate
< 30	381	0.35	698	0.45
30 to 50	335	0.19	434	0.22
> 50	11	0.07	20	0.12
Total	727	0.24	1,152	0.31
By gender				
Men	472	0.23	775	0.31
Women	255	0.27	377	0.33
Total	727	0.24	1,152	0.31
By region	Number	Rate	Number	Rate
Midwest	35	0.53	31	0.46
Northeast	21	0.17	32	0.25
North	6	0.17	7	0.24
Southeast	453	0.24	716	0.31
South	212	0.23	366	0.34
Total	727	0.24	1,152	0.31
By minority status	Number	Rate	Number	Rate
PwDs	64	0.59	85	0.52

Employee turnover	2018		2019	
By age group	Number	Rate	Number	Rate
< 30	327	0.3	529	0.34
30 to 50	490	0.27	498	0.26
> 50	48	0.32	27	0.17
Total	865	0.28	1,054	0.29
By gender	Number	Rate	Number	Rate
Men	605	0.29	718	0.29
Women	260	0.27	336	0.29
Total	865	0.28	1,054	0.29
By region	Number	Rate	Number	Rate
Midwest	2	0.03	28	0.41
Northeast	17	0.14	33	0.26
North	5	0.14	15	0.52
Southeast	559	0.29	580	0.25
South	282	0.31	398	0.37
Total	865	0.28	1,054	0.29
By minority status	Number	Rate	Number	Rate
PwDs	4	0.04	45	0.27

¹ Calculated in accordance with GRI standards: Rate = Number of employees hired or terminated (by age group, gender, region and minority status in 2019) / Total workforce (by age group, gender, region and minority status in 2019).

Benefits and well-being GRI 401-2

We endeavor to provide employees with a harmonious workplace environment and competitive compensation, as well as benefits for both direct, full-time employees and part-time interns and apprentices.

The benefits we offer include: life insurance; health insurance; parental leave; dental insurance; funeral insurance (which also extends to parents and in-laws); payroll-deducted loans; public transportation passes; meal tickets; salary advances; wedding and baby welcome gifts; and a fitness center discount program (TotalPass).

A discount app provides employees with discounts for a wide range of services (pharmacies, education, recreation, healthcare, beauty salons and spas, movie theaters, restaurants and fitness centers). Employees also have lounge (Pit Stop) areas with popcorn, snack machines and coffee machines.

We provide medical checkups for executives; and travel assistance for domestic (up to the

coordinator level) and international (managers, executives, vice presidents and the CEO) travel through our health insurance carrier. We also offer a Massage Space at our headquarters and, due to the COVID-19 pandemic, we now offer a telemedicine service through our health plan carriers, insurers and outpatient clinic.

HEALTH AND QUALITY OF LIFE

As part of our efforts to ensure the health of our employees, in January 2019 we reopened the outpatient clinic at our headquarters in São Paulo. The clinic now offers coordinated healthcare services and primary care including first-aid, family medicine, occupational medicine and nutritionist consultations. This has reduced demand at the first-aid center at our headquarters.

In 2019 we enhanced the mental health support we provide to employees with the creation of an Employee Support Program (PAC), through which we provide psychological and financial counseling and social services to our employees.

In 2020 we plan to launch a new, dedicated mental health program, called *Unicamente*. We will also expand the outpatient clinic with a new lactation room, intravenous procedures room and telepsychology.

We value our employees by providing a range of benefits and discounts at partner businesses

Organizational Climate Survey

Linx conducts annual climate surveys to measure the level of employee engagement and satisfaction. This informs action plans to address areas for improvement and establish or reformulate corporate policies or programs. In 2019, employee satisfaction improved by seven points compared to the previous year, from 69 to 76 (on a scale of 0 to 100).

The survey is one of several tasks under the responsibility of our Climate Committee, which works to build synergy and employee engagement through social, cultural and sports activities designed to meet employee interests and needs at each site. The Committee is composed of employees elected by local teams and is supported by our Human Resources department, administrative and marketing teams, and leadership team.

Funding for the Committee is provided by each branch in proportion the number of employees in the region. Committee funds are allocated to an annual calendar of initiatives that are aligned with each site's needs.

Following the coronavirus outbreak in early 2020, the Climate Committee began providing online physical and mental health support to employees during the quarantine. Support activities included meditation, yoga and workout classes, and a #LinxHomeOffice campaign on our internal social network that used a lighthearted approach to organize the home office routine.

Parental leave ¹ GRI 401-3	2018	2019
Total employees entitled to parental leave	66	57
Total employees who took parental leave during the current year	66	57
Total employees who took parental leave during the current year and whose parental leave ends in the current year	28	27
Total employees who took parental leave during the previous year and whose parental leave ends in the current year	18	20
Total employees who took parental leave during the current year and whose parental leave ends the following year	20	10
Total employees expected to return in the current year	46	47
Total employees who returned to work during the reporting period after parental leave ended – current year	28	27
Total employees who returned to work during the reporting period after parental leave ended – previous year	18	20
Total employees who did NOT return to work during the reporting period after parental leave ended	18	20
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	13	15
Return rate	0.61	0.57
Retention rate	0.72	0.75

¹ Linx does not control the parental leave figures.



Training & Development

GRI 103-1, 103-2, 103-3, 404

Recognizing the need to keep our employees' skills up to date in response to the rapidly changing technology environment, in 2019 we created Linx Academy, a corporate education platform that provides structured development, skills building and training in a business school format.

Using a learning management system (LMS) platform to deliver both classroom-based and online educational content, Linx Academy offers a variety of educational programs for different retail segments, such as shopping centers, food service, service stations, automotive services, pharmacies, Digital and Pay Hub.

The Academy provides audience-specific content using a skills pathway model. A highlight in 2019 was a program created for the Commercial and Franchise functions. With a focus on sales, the program covers all of our products and services, and contains dedicated chapters providing general knowledge about retail. The content has been designed to develop both

conceptual knowledge and practical skills to improve quality of service. In 2019, Linx Academy provided an average of 10.29 hours of annual training to administrative employees, an increase of 4.08 hours on 2018. In 2020 we will measure the Return on Investment (ROI) from Linx Academy programs using the Kirkpatrick Model, which measures the effectiveness of each program at four levels: reaction, learning, behavior and results. **ROI**



Linx Tips – A tool used to deliver educational content is our Linx Tips YouTube channel. The channel playlist features software tutorials and walkthroughs prepared by Linx specialists for employees, customers, users and other stakeholders.



Linx Share – A public knowledge base covering all of our solutions, indexed by search engines (e.g. Google). Linx Share allows users—including employees, partners, franchisees or even customers—to find tips and information about product features.

Education Grants Program

GRI 404-2

This program, which was restructured in 2019, provides grants for both short- and long-duration courses. Training requirements are determined based on the results of performance assessments, feedback from Linx Academy training and Individual Development Plans (IDPs).

In 2019 the Education Grants Program was focused on short duration courses. This supported a 60% expansion in participating employees compared to 2018.

Average hours of training per year per employee by gender ¹ GRI 404-1	2018	2019
Men	5.48	10
Women	7.75	10.87
Total	6.21	10.29

¹ All training was in the administrative area.

Assessing development

GRI 404-2

Linx has processes in place to help employees identify their strengths and areas for improvement. Based on identified needs, we provide programs to develop new skills and competencies in order to improve our employees' and teams' performance and ensure the sustainability of the business.

In 2019, six-monthly targets were established for all employees (except apprentices and interns) as part of our Performance Assessment (PA) process. All employees hired up to March are required to undergo assessments in the first half of the year, and those hired up to September in the second half. We also launched a new management tool in the year that has streamlined and increased efficiency in our corporate processes.

The Competencies Assessment (CA) process is now annual and staggered in relation to the PA process. This has helped to increase the focus on employee development. All employees hired up to March are required to undergo Competencies Assessments.

Percentage of employees receiving regular performance reviews¹ GRI 404-3

Employees receiving regular performance reviews, by employee category	2018			2019		
	Men	Women	Total	Men	Women	Total
Executive Board	78.05%	100%	81.63%	75%	100%	77.27%
Managers	91.91%	90.24%	91.53%	91.46%	85.71%	90.14%
Leaders/coordinators	91.07%	91.67%	91.25%	90.48%	90.28%	90.41%
Technical/supervisor	94.57%	98.21%	95.31%	86.83%	85%	86.38%
Administrative ²	91.05%	89.95%	90.72%	84.64%	84.79%	84.69%
Operational ³	78.82%	69.10%	72.24%	48.04%	69.82%	60.10%
Total	90.73%	86.74%	89.47%	82.79%	82.40%	82.67%

¹ Virtually all employees required to undergo assessments received formal performance reviews in 2019. The reduction in performance assessments compared to the previous year reflects the larger number of new hires in the year as well as a higher rate of turnover, which increased the number of people not required to undergo assessment.

² Analysts.

³ Assistants and interns.

360° Feedback – In 2019 we implemented an important change: the entire leadership team is now also assessed by their reports, i.e. using the 360° feedback model (feedback is provided by the individual's team, manager, peers and internal clients). Senior analysts to specialists receive 180° feedback (from their managers, peers and internal clients); and employees and other positions continue to receive 90° feedback (from their managers only).

To strengthen employee development, in 2019 we implemented a structured, company-wide Individual Development Planning (IDP) process in which each employee is responsible for planning their own development with a focus on needed organizational competencies. Workshops and distance training were provided to all employees to assist in the process. Leaders received training and feedback, and were encouraged to hold at least three structured and systematic feedback sessions with each employee during the year.

Inclusion & Diversity

GRI 103-1, 103-2, 103-3, 405

Implementing best practices in advancing inclusion among our employees, encouraging diversity and providing equal opportunity have always been among our guiding principles at Linx. As a case in point, in 2018 we launched an Inclusion Guide to raise awareness among managers about a variety of issues, such as adaptations for people with disabilities (PwDs).

In addition to complying with related laws and regulations, we strive to continually improve our related processes by revising our hiring procedures, creating partnerships, investing in engagement and communications, increasing visibility around available positions and continually identifying opportunities for improvement. The results from our Climate Survey provide insight to inform potential inclusion and diversity initiatives.

Survey results for 2019 show we have made progress. On average, 96% of respondents said that people are treated well at Linx regardless of their skin color or ethnicity, a figure

two percentage points higher than in 2018. Responses on whether people are well treated at the Company regardless of their sexual orientation also improved by two percentage points to an average of 94% in the affirmative, compared to 92% in the previous survey.



Hiring PwDs and apprentices

We have worked consistently to meet PwD and apprentice quotas in our workforce. In 2019 we made a significant effort to hire people with disabilities, and ended the year with 164 PwDs in our workforce, 51.8% more than in 2018. However, we have still encountered difficulty in finding people with the skills needed for available job openings. This is due to our belief that opportunities should be offered in strategic areas of varying complexity that will offer candidates an opportunity for development, ensuring their skills and potential are not underutilized. We have also sought to hire PwDs for all functions that are amenable to inclusion.

We recognize that only through diversity can we create a team that has different yet mutually reinforcing skills—and is therefore stronger. This also ensures that the makeup of our workforce reflects the diversity of our society.

Accordingly, efforts have been directed to creating positive visibility around our inclusion program and encouraging managers to seek out candidates with disabilities. The Diversity team receives monthly status reports from the Human Resources department with details on the number of employees who are PwDs and apprentices.

Process review

One of the most significant diversity initiatives in 2019 was a review of our recruiting and selection processes in order to incorporate diversity with greater clarity. The key points in the procedures that will be newly implemented in 2020 include:

- > Meeting the minimum quota of PwDs and apprentices;
- > Opportunities in high-profile positions;
- > Engagement and guidance, with a focus on inclusion;
- > External communications efforts to advertise and map candidates to available job openings;
- > Internal communication, engagement and talent acquisition;
- > A review of hiring processes;
- > A review of the voluntary and involuntary termination process.

Equal opportunity GRI 103-2, 103-2, 103-3, 202

We work continuously to address the gender gap in the IT market, in which women have historically been poorly represented. In 2019 we had a proportionately larger presence of women in operational positions (55.36%). In manager and coordinator positions, women represented 32.88% of the total—a larger percentage than the overall percentage of women in the company (31.68%).



A growing presence of women employees at Linx is helping to fix the gender gap in the IT market

In governance bodies, 100% of members are men—80% are above the age of 50 and 20% are 30 to 50 years old. **GRI 405-1**

In terms of remuneration, our primary policy is our operational standard on positions and salaries. The standard establishes guidelines on total compensation using criteria that ensure a rational, professional and impartial approach is used in managing positions and salaries and employee mobility so that any gaps are addressed internally while maintaining external competitiveness and our ability attract, retain and motivate talents.

In terms of equality of pay, from 2018 to 2019, average basic salary and remuneration increased by 0.05 points for women and 0.02 points for men. In management positions, basic salary and remuneration increased by 0.07 points for women and decreased by 0.28 points for men. **GRI 405-2**

Diversity of governance bodies and employees by employee category and gender in 2019 (percentage) GRI 405-1

	Men	Women
Executive Board	90.91%	9.09%
Managers	77.00%	23.00%
Leaders/coordinators	67.12%	32.88%
Technical/supervisor	75.23%	24.77%
Administrative ¹	70.03%	29.97%
Operational ²	44.64%	55.36%
Total	68.32%	31.68%

Diversity of governance bodies and employees by employee category and age group in 2019 (percentage) GRI 405-1

	Under 30	30 to 50	Over 50
Executive Board	0.00%	86.36%	13.64%
Managers	4.23%	83.10%	12.68%
Leaders/coordinators	12.79%	82.65%	4.57%
Technical/supervisor	13.62%	73.07%	13.31%
Administrative ¹	49.22%	48.40%	2.38%
Operational ²	68.38%	27.43%	3.74%
Total	42.54%	53.03%	4.43%

¹ Analysts.

² Assistants and interns.

Diversity of governance bodies and employees by employee category and minority status in 2019 (number and percentage) GRI 405-1

PwDs	Number	Percent
Executive Board	0	0.00%
Managers	2	0.94%
Leaders/coordinators	1	0.46%
Technical/supervisor	2	0.62%
Administrative ¹	31	1.27%
Operational ²	128	31.92%
Total	164	4.57%

¹ Analysts.

² Assistants.

Black and mixed-race	Number	Percent
Executive Board	5	7.58%
Managers	18	8.45%
Leaders/coordinators	37	16.89%
Technical/supervisor	82	15.24%
Administrative ¹	520	24.31%
Operational ²	147	36.66%
Total	829	22.66%

¹ Analysts.

² Assistants and interns.

Racial diversity among employees in 2019 (number and percentage)¹

	Number	Percent
Asian	17	0.46%
White	2,629	71.87%
Indigenous	1	0.03%
Black	70	1.91%
Mixed race	759	20.75%
Not available	182	4.98%
Total	3,658	100.00%

¹ The data were compiled based on employees' race as self-identified during onboarding.



Ratio of basic salary and remuneration of women to men by employee category GRI 405-2			
		2018	2019
Executive Board	Men	1.39	1.44
	Women	1.57	1.59
Managers	Men	1.18	1.25
	Women	1.53	1.25
Leaders/coordinators	Men	1.07	1.11
	Women	1.06	1.11
Technical/supervisor	Men	2.41	1.11
	Women	1.56	1.12
Administrative ¹	Men	1.48	1.11
	Women	1.36	1.11
Operational ²	Men	1.04	1.11
	Women	1.04	1.11

¹ Analysts.

² Assistants and interns.

Ratio of standard entry-level wage compared to local minimum wage ¹ GRI 202-1				
	2018		2019	
	Men	Women	Men	Women
Entry-level wage paid by the organization	R\$ 1,151.81	R\$ 1,133.00	R\$ 1,236.00	R\$ 1,133.00
Minimum salary as established by legislation or the relevant union	R\$ 998.00		R\$ 1,045.00	
Percent ratio	115.41%	113.53%	118.28%	108.42%

¹ Linx does not pay different salaries to men and women, and therefore differences in salaries are negligible.

Our Solutions



05

Continual improvement

Over the years, we have developed a set of products and solutions that are responsive to customers' needs in a rapidly changing market

In addition to internally developed products, we have supplemented our portfolio through acquisitions of leading market players, strengthening our capabilities across our three product lines: Core, Digital and Pay Hub. As a result, we have developed a unique offering of technology solutions for both brick-and-mortar and online retail.

Over more than three decades of operations, we have built centers of excellence in all technologies we offer, where we continually develop integrated and innovative solutions and offerings—as only a supplier with a portfolio as comprehensive as ours can provide with our level of speed and effectiveness.



Continuous monitoring of global technology trends allows us to anticipate those trends by incorporating innovation into our portfolio. But more importantly, we are always shoulder to shoulder with our customers and alert to opportunities in which we can support their success. We are not bound by the obvious; in all segments, we trailblaze new frontiers alongside our partners and customers, using our combined strengths and skills to anticipate customers' and consumers' needs.

Driving innovation

In 2019 we implemented initiatives to foster innovation among our research and development professionals. One was the **Innovation Cup**, an annual competition for our technology, R&D, Cloud, Corporate IT and Support teams in Brazil and Argentina. Competing teams enter innovation projects that are evaluated and presented with awards by senior management. Around 60 projects were entered in the 2019 edition. The winners were announced in early 2020 in two categories:



PRODUCTS/SOFTWARE

> 1st Place: QR Linx

An aggregator of e-wallet solutions using QR Codes (Pay Hub + Food verticals)

> 2nd Place: Linx Catalog

A solution that helps marketplaces grow with increased efficiency and quality (Linx Impulse vertical)

> 3rd Place: B2C multiple invoicing

A solution that optimizes invoice processing for B2C orders (Clothing and footwear vertical)

> *Honoris Causa*: SisdiaFX

A Java application with a dynamic layout that is more user-friendly and efficient (Automotive vertical)



BUSINESS PROCESSES

> 1st Place: Move CRM

Improves the sales experience through a unified, streamlined and faster process (IT Systems vertical)

> 2nd Place: Express Service

A new service process that increases back-office productivity and supports customers' success (Automotive vertical)

> 3rd Place: Silent MCX POS Updater

A new software update process which reduces Support touch points and provides benefits to customers (Clothing and footwear vertical)

> *Honoris Causa*: Onboarding

A new process that enhances implementation quality and customer capacity building and self-sufficiency (Food vertical)

Another important initiative is our internship program in partnership with the Bandeirantes Technology School (BandTec). Created in 2019, the program has a duration of one year, following which participants are hired as employees at Linx. Participants attend a systems analysis and development course and have access to technical content, as well as the opportunity to develop soft skills—such as self-awareness, financial planning, resilience, teamwork, feedback, etc. They are assigned to areas that have a real demand for their services, and the manager provides feedback and participates in oversight meetings with school professors.

The first class, with five interns, will complete the one-year program in August 2020. The class developed an app that uses a gamification concept for tracking targets at clothing retail stores. The product, called Linx Play, helps to motivate sales representatives to track their metrics, and recalculates daily and weekly targets. The team also developed features for people with special needs. The app is being considered for market launch.

The partnership with BandTec will be maintained for the next internship program.

Core Business

The retail sector is constantly changing, both in response to changing consumer habits and in order to incorporate technology solutions that can increase efficiency and profitability. Our operations span different retail segments, each with its own unique needs. We have a team of experts in a wide range of retail sectors, with the depth of insight and expertise to serve each sector with unequalled quality.

We not only provide technology, but act in an advisory capacity to support agile and dynamic adoption of innovation and technology solutions. This way, we help to solve segment-specific problems and, through our expertise and solutions, help our customers to achieve excellence in management, control, cost optimization and cost reduction, and process improvements to increase productivity and boost sales. This is how we achieve one of our primary goals, which is supporting our customers' success.

Our Linx Core product line provides integrated enterprise management systems that cater to these and other industry needs through customized, low-cost, cloud-based solutions. These products range from business automation software that allows retailers to perform all necessary operations at the point of sale (POS) to comprehensive enterprise resource planning (ERP) applications that provide customers with access to a range of management tools, including: inventory management, customer relationship management (CRM), financial, accounting and tax management, product life-cycle management, supply management, loyalty programs, e-receipt and other features.

In addition to catering to retailers' needs, the Linx Core product line also provides financial sustainability advantages by enabling us to cross-sell many of our ERP capabilities along with our flagship POS offering.

In researching and developing products and solutions, we are responsive to customers' specific needs: our analysts, architects, managers and specialists work to become experts in each segment. This enables us to serve a continually evolving market through agile, dynamic and effective R&D processes.

SYNERGIES IN E-COMMERCE

In 2019, our acquisition of Millennium Network, a leading provider of SaaS ERP solutions for e-commerce, was an important addition to our portfolio, offering a robust solution for managing large e-commerce operations. The acquisition provides an infinity of potential

synergies, as well as allowing us to strengthen our direct-to-customer (D2C) operations.

This strategy covers our Core and Digital segments—especially customers looking to scale up their own digital operations into marketplaces, or D2C sectors.

Tailored service

Our Core product line serves three market segments:

- > **In big retail** (solutions for large retail chains and networks), we provide customers with customized solutions and the ability to meet demands involving greater complexity. We ended 2019 with a presence in 14 countries.
- > In the middle market, comprising **medium and large companies**, we offer products and services that are tailored to the segments in which we operate (food service, service stations, automotive, pharmaceutical, clothing, footwear and accessories, and e-commerce). These solutions encompass the sales, payments and management processes, as well as helping retailers to build greater customer loyalty. This segment currently comprises 240 franchises (compared to only 20 in 2013), a figure we expect to increase to 400 in the medium term.
- > We are also active in the **micro and small retailers** segment with our offering of Software as a Service (SaaS) solutions from the Hiper platform, a 100% cloud solution for physical and on-line retail. In 2019 we had active customers in this segment in 2,000 Brazilian municipalities, with a total of more than 785 Hiper operators.

2019 Highlights

In the year, our Linx Core platform: expanded its operations to 240 franchises, 44 service partners and new niche markets and brands; retained its existing customer base; sold and activated solutions such as Novo CRM, and cross-sold with products such as Linx Pay Hub, Linx Digital and Linx Bridge—a suite of solutions that help retailers to protect their data and connect their network through a single point of contact.

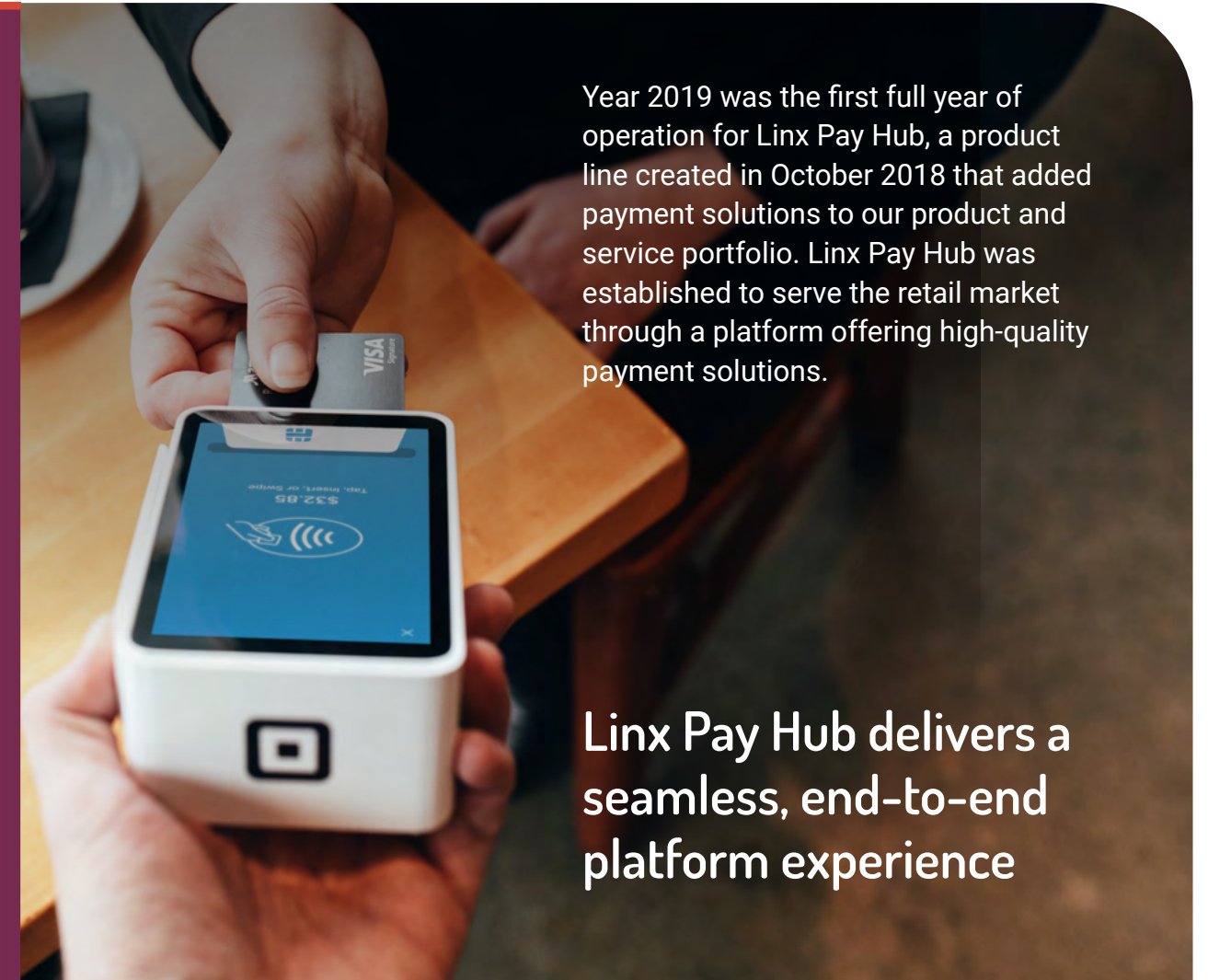
Franchise sales expanded significantly from 2018 to 2019, especially in the pharmaceutical (up 36%), shopping center and food service (17%), and service station (14%) segments.

In line with our goal to be the natural choice for omnichannel retail technology, our Linx Core strategy for the following years is based on expanding our footprint to increase proximity to customers in different segments. Efforts to achieve growth in different niche markets have continued: we believe we can expand our presence in service stations, pharmacies, clothing and footwear, food service and franchises in the medium term.

By 2023 we expect to see growth in our Napse operations, in big retail customers, and in the clothing and footwear, food service, services retail, pharmaceuticals, service stations, automotive and other sectors. We also estimate strong expansion in the number of franchises to 400 in the medium-term—an increase of approximately 67% from year-end 2019.

Payment Solutions

Year 2019 was the first full year of operation for Linx Pay Hub, a product line created in October 2018 that added payment solutions to our product and service portfolio. Linx Pay Hub was established to serve the retail market through a platform offering high-quality payment solutions.

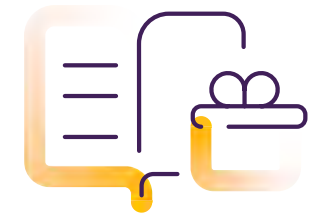


Linx Pay Hub delivers a seamless, end-to-end platform experience

COMPLETE SOLUTIONS

Linx Pay Hub, which can be integrated with the Linx Core and Linx Digital products, provides customers with a fully seamless experience through an end-to-end platform of business management solutions. It offers six main lines of services and solutions:

- > **ELECTRONIC FUNDS TRANSFER (EFT):** a subscription-based model that is fully integrated with our POS/ERP software and provides a faster and more secure way for our customers to transact with merchants and their customers. Our EFT solution has already been adopted at more than 40,000 points of sale;
- > **RECONCILIATION SOLUTION:** a solution for reconciling online and off-line sales using debit cards, credit cards, benefit cards and QR Code payments.
- > **LINX PAY HUB:** a complete ecosystem of sub-acquiring services to convert customers into our payments platform for both off-line and online stores, including Payment split: the ability to split payments between different recipients (such as different service providers or sales channels) and perform a more efficient transaction from an operational and tax perspective.
- > **DIGITAL ACCOUNT:** allows retailers to easily manage payroll, pay bank slips, and make funds transfers and mobile account top-ups, as well as offering higher interest than a savings account.
- > **MOBILITY:** mobile devices that meet customers' needs and streamline retail operations, such as POSTEF, a solution specially designed for service stations, Smart POS, a more complete solution in a single device, and POS for increased autonomy.
- > **QR CODE:** an innovative product that satisfies three of Linx merchants' essential needs: security, ease-of-use and speed, as well as allowing merchants to reconcile all of their wallets.



Our Linx Pay Hub product line streamlines enterprise management processes

Expansion and loyalty

With significant potential for growth, the platform helps to increase customer loyalty and will help to expand our presence in the enterprise retail management sector, which inherently supports continuous expansion—between 2013 and 2019, gross revenue from payment-related services grew more than 14-fold, at a compound annual growth rate (CAGR) of approximately 71%.

Linx Pay Hub saw significant expansion in 2019, leading to the need to increase our workforce by nearly 50% compared to 2018. Products were also launched to increase retailers' efficiency and productivity—through both financial control and process optimization.

Among the new products is **Linx Account**, an account through which small merchants can receive Linx Pay Hub settlements directly in the account and pay their employees immediately, without any bank intermediation or bureaucracy, considerably streamlining cash management.

QR Linx centralizes e-wallets (Mercado Pago, Ame, Picpay) including settlement data and the ability to reconcile these receivables. Rather than requiring multiple integrations, all information is centralized in a single hub, providing retailers and their customers with immediate advantages. Retailers require a single QR Code and receive settlements directly in their Linx Account in a reconciled manner, for ease of financial management.



Learn more about our QR
Code payment solution





We are supporting the digitization of Brazilian retail with the most comprehensive portfolio of solutions in the market

Digital Transformation

Our Linx Digital product line helps to deliver on our commitment to putting Brazilian retailers in a position to be competitive and profitable in e-commerce. We have the most comprehensive portfolio of innovative, scalable and machine-learning solutions in the market, as well as e-commerce platforms, data analytics and order management system (OMS) technology. These products are fully integrated with our ERP software, providing a high level of convergence and an important source of cross-selling opportunities for the company.

Linx Digital was created through an investment of more than R\$ 250 million in the acquisition of five companies between 2015 and 2018: Neemu, Chaordic, ShopBack, Percycle and DGC. The ability to offer a diversified product portfolio has made Linx Digital a leading acquirer in Brazil's retail and e-commerce sector. It also provides a variety of opportunities for integration with other Linx product lines, such as:

- > **Linx Pay Hub:** Linx Commerce's native payment solution with a payment gateway and anti-fraud capabilities; and a payment system for the Linx Impulse Ads for Publishers solution;
- > **Pharmacy:** an e-commerce platform that allows customers to purchase medicines, personal care products and cosmetics from home;
- > **Fashion and Seta:** an e-commerce platform that uses best practices for online sales of clothing and footwear products via proprietary channels and marketplaces;
- > **Big Retail:** Linx Commerce and Linx Omni OMS as the backbone for our omnichannel strategy for the largest retailers in Brazil;
- > **Service stations:** prepaid fuel purchases, scheduled oil changes and other services through the Linx Commerce platform;
- > **Auto:** auto parts, new and used cars advertised via the store itself, Linx Commerce or marketplaces;
- > **eMillennium:** native integration of product and order information with Linx Commerce;
- > **Napse:** internationalization of the Linx Commerce platform and enabling solutions from Linx Impulse.

Integration and data intelligence

Linx Digital products comprise three categories:

- > **Linx Commerce** –Our e-commerce platform, which provides our customers with a seamless and tailored cross-channel solution that enables a true omni-channel shopping experience (e.g., interactive electronic catalog with information regarding inventory and prices, among other functionality). It also supports integration with our Linx Pay Hub gateway, creating a direct connection to payment processors and the leading marketplaces, fully automating the operation on a single platform.
- > **Linx Impulse** – Understanding how a business's customers think is essential, and big data and machine-learning based solutions

for e-commerce operations—such as search and recommendation, re-engagement and advertising—are an important tool to this end. Linx Impulse analyzes consumer behavior to help our customers improve their sales conversion rates by, for example, helping to understand customers' needs, reducing shopping cart abandon rates, personalizing campaigns to increase revenue, and predicting and avoiding customer churn. In addition, data engineering helps to improve the customer experience, driving customer loyalty. By combining, integrating and analyzing data focusing on customer acquisition, it provides time and cost saving benefits to end customers. This creates a meaningful shopping experience for each customer throughout the brand interaction journey.

- > **Linx Omni** –OMS technology, which provides our customers with an integrated tool to manage multiple distribution channels and inventories seamlessly. With this solution, a brick-and-mortar store can fulfill an order accessing the inventory of another store and deliver it to the customer at home, for example, reducing stockout and logistics costs. This minimizes one of the biggest factors in shopping cart abandon rates, considerably improving the customer experience. Other functionality includes order tracking, financial settlement and freight calculation.



Linx Commerce, Linx Impulse and Linx Omni are our three Digital product categories



2019 Highlights

Direct connections to payment solutions offered by Pay Hub Linx were expanded in 2019: Linx Omni reached 9,000 client merchant stores and Linx Impulse acquired key clients for machine learning and artificial intelligence services.

In terms of financial performance, Linx Digital recorded an improvement of approximately 20% in revenues from 2018 to 2019. Twelve new sectors were natively integrated with Linx Digital e-commerce solutions.

In the future, Linx Digital will be fully structured for compliance with the Brazilian General Data

Protection Act (Act 13709/2018), which will enter into effect on a date as of yet unconfirmed due to the COVID-19 pandemic. Other projects will also focus on data protection in 2020: implementation of Sarbanes-Oxley (SOX) governance standards as a requirement in connection with our listing on the New York Stock Exchange (NYSE); and annual improvements to our information security standards.

Market & Customers



06

Customers first

To us, customers' success comes first.

A comprehensive portfolio of integrated retail solutions has enhanced our ability to deliver a complete offering: customers have multiple entry points to our products, which also helps to boost market share

Through our solutions, we provide a full range of benefits to retailers while also ensuring our sustainability as a business.

To this end, we continually invest in improving the customer experience, data privacy and market development and education. Our three major strategic pillars are:

Expand cross-selling opportunities, providing a complete product and service experience;

Expand cash generation capacity through synergies between businesses;

Train and retain talents, and strengthen our corporate culture.



Improving the Customer Experience

The innovation embedded in our operations and our diversified product portfolio are key to providing the best possible experience to customers

Omnichannel solutions—a strategy of simultaneously using different interconnected communications channels—are a key enabler and have positioned Linx as the leading provider of an end-to-end platform following our acquisition of Millennium in June 2019.

Founded in 1993, Millennium was a market leader in SaaS ERP solutions for e-commerce that, combined with other technologies, allow retailers to offer consumers an omnichannel experience.

In addition to the quality of our solutions, the positive customer experience we deliver is also thanks to the dedication of our teams. To us, our customers' success comes first—and this requires an in-depth understanding of each customer's business so we can work shoulder to shoulder with them in driving results and exceeding expectations.



OUR OMNICHANNEL STRATEGY

Connecting our diverse solutions together is increasingly important in ensuring our customers' success in an increasingly digitized world. Strengthening our omnichannel capabilities is therefore one of our key strategic levers—one that is also present in our corporate vision, of being the natural choice for omnichannel retail technology.

Core to this strategy is our order management system (OMS), through which the physical and online world are connected together, orders from a given channel are routed and order fulfillment decisions are made. Omnichannel capabilities provide a huge incremental advantage to our merchant clients and are essential as consumer use of online channels for shopping continues to rise.

In addition, omnichannel solutions help to bring about a change of mindset in client retailers, who can now see the vast possibilities offered by virtual sales more broadly, and can track and

promptly respond to market shifts to protect customer loyalty and improve profitability. Within this digital transformation process, omnichannel capability is the glue that joins these technology solutions for retail.

In 2019, our omnichannel business reported growth in recurring sales—a highly significant result. We also improved the level of connectivity across our different solutions, as well as implementing a number of optimizations in the OMS tool. Encouraged by this strong performance, we have continued to invest in R&D to develop omnichannel solutions—and we expect this will lead to our teams growing in size in the medium term. We also plan to expand our offering of omnichannel solutions for small and medium-size retailers.

Net Promoter Score (NPS) – An example of customers' recognition of our positioning is our NPS score, an indicator used to measure customer satisfaction and loyalty. The NPS

score denotes, on a scale of 0 to 10, the extent to which customers would recommend Linx to their consumers. Our Strategic Map establishes six-monthly corporate NPS targets that are linked to employee bonuses and profit sharing.

Linx uses the original NPS method, in which customers with scores of 9 and 10 are promoters, customers with scores of 7 and 8 are neutral, and customers with scores of 0 to 6 our detractors. The survey is carried out twice per year and covers approximately 90% of our products.

Based on our NPS score of 19 from the survey at year-end 2018, actions were taken that supported a four-point improvement in 2019, to an NPS of 22.

Our target for 2020 is being reevaluated due to the COVID-19 pandemic, which will have a significant impact on retail.

Data Privacy & Security

GRI 103-1, 103-2, 103-3, 418 SASB - TC-SI-220a.1.

All Security and Privacy programs in place at Linx are based on industry best practices and ISO 27001, an international standard on information security.

However, our primary agenda in 2019 was the upcoming entry into force of the Brazilian General Data Protection Act (LGPD), on a date as of yet unconfirmed due to the COVID-19 pandemic (at the time of writing this report, the LGPD and its related sanctions were expected to enter into effect between August 2020 and August 2021). The new legislation has mobilized companies that handle user information in any shape or form. In our case, preparations to achieve full LGPD compliance were focused on data privacy and security throughout 2019.

We engaged a law firm specializing in digital law and took a number of steps, such as the creation of an Information Security Committee composed of the CEO, vice presidents and employees from the Information Security and Legal departments. The committee has conducted in-depth reviews to ensure we effectively comply with all requirements in the new legislation.

We mapped all activities involving customer data to accurately determine whether our procedures are LGPD-compliant, and ensure our customer contracts are amended to incorporate best practices in data handling and protection.

We also held webinars and workshops in which we answered employees' questions about the new regulations and provided training to each

product's Data Protection Officer (DPO). Data privacy permeates all of our operations and this is translated into data protection procedures.

There were no instances of data breaches or data theft in 2019. A single security incident occurred that partially affected access to data, and was resolved by technical teams, with all operations being fully restored without any loss of data. **GRI 418-1**

Based on our privacy and security planning in 2019 as outlined in our Strategic Roadmap, we have included in our annual Information Security Maturity plan a set of supplementary targets for our day-to-day operations to increasingly strengthen our data environment and ensure complete customer privacy.

Among the goals set for 2020 is achieving full LGPD compliance and re-validating our certification to the Payment Card Industry – Data Security Standard (PCI-DSS), which is awarded by a Council composed of major card companies. This goal is important in ensuring that our operations meet the standards adopted by the leading global credit card players.

The steps we will take to achieve these goals include establishing a Data Privacy Committee of multidisciplinary experts to monitor compliance in our operations; and the creation of a dedicated Data Protection Officer (DPO) position.



Testing in 2020

Our Linx Pay Hub and Datalake systems will be tested for robustness and data security safeguards to assess whether our data network is safe against unauthorized access, in order to enhance data protection. Where vulnerabilities are identified, we will establish consistent action plans to address them.

Training & Development

Providing knowledge about our products and operations is the focus of our customer and franchisee education initiatives

As a material topic both within and outside the company, in addition to employee training (read more in the chapter on People), our strategic roadmap also includes customer and franchisee education initiatives to provide all stakeholders with comprehensive knowledge about our products and services.

These initiatives are based on a Corporate Education concept that addresses business needs through training and skills building. Under the oversight of our People department, the Linx Academy provides content directly related to our three business pillars—Linx Core, Linx Pay Hub and Linx Digital—and direct synergies with

our business teams help to expand the use of learning resources, platforms and methodologies to disseminate knowledge about the business. Before buying or selling our solutions or investing in our business, stakeholders require a comprehensive understanding of how our solutions work and mesh with each other.

Our strategy at Linx is responsive to the pace of change inherent in our segment. Training and skills building are therefore an integral part of our day-to-day business activities in order to deliver the knowledge our customers need.

One of the areas of focus in training and skills building in 2019 was a partner expansion plan which, through training and technical certification, helped to considerably expand our service partner and franchise base.

Growing our franchise and service partner base; selling and activating through Self-Service Franchise initiatives and cross-selling our Cloud (Digital) offering, and increasing cross selling-between Linx Bridge, Linx Digital and Linx Pay Hub are a continuing focus for our teams. To address these challenges, we have invested in developing skills ranging from commercial tasks to product implementation.

Training modules evolve with new product launches to ensure our teams are at all times trained and ready to interact with and offer optimal solutions to each customer. Training content includes, for example, the expansion of our payments portfolio to address consumer demand and increase customer acquisition through new functionality, innovation and investments.

Digital solutions are another key differentiator, especially as customers increasingly move

online. Differentiating our Linx Commerce platform through investment in new functionality has provided a significant competitive advantage in this segment. Training on these products is provided in near real-time with each new enhancement, ensuring that our teams and customers are equipped with the knowledge required to make optimal use of our solutions' different features.

Making retail business more profitable, competitive and sustainable through technology is our mission. And we believe that providing adequate training and skills building at the pace that the market requires will always provide competitive advantage.





Franchisees

The Linx Academy Platform supports a wide range of training initiatives for our franchise network

Linx's franchise expansion strategy is designed to broaden our footprint in order to build closer relations with customers across diverse retail segments; create a regional presence for the Linx brand; and offer retailers countrywide the opportunity to access the most comprehensive product and service portfolio available, with locally based service.

To ensure our franchisees are able to grow and expand their businesses, we provide them with the means to build capabilities and expand their operations, by entering new segments or incorporating new products into their portfolio. We also develop new franchises in all territories where the volume of retail transactions in a given segment makes the proposed franchise business economically feasible.

CAPACITY BUILDING AND CERTIFICATION

With the Company currently seeing accelerated growth through indirect sales and implementation channels, such as Linx franchises and Linx Service Partners (LSPs), it is essential that we have well structured distance learning processes in place to disseminate educational content to our partners throughout Brazil. This will ensure that they are kept up-to-date and help to reduce the logistics costs of conventional, classroom-based training. Training content is also available online, on demand.

The Linx distance learning and certification program provides training on a standard skill set for franchise employees through a platform that

identifies participants' social security number, job title and the products they deal with in order to assign training pathways specific to their needs. A participant who is a sales representative will have access to commercial content, while an employee working in an implementation capacity will receive technical content in a different training pathway. After each course, employees take one or more examinations to test their knowledge—if they pass the examinations, they are certified to perform the relevant activities.

All training processes are mediated by the Linx Academy platform, which is available for use by all direct and indirect employees.

Linx Service Partners (LSP)

Linx Service Partners (LSP) is a program for service partners engaged to implement Linx solutions at customer sites, enabling a larger number of retail technology companies to join the Linx ecosystem.

The initiative was driven from the need to expand our services footprint in a structured manner to maximize proximity to and convenience for our customers, while reducing project and implementation costs.

Prospective partners undergo a capacity building, certification and onboarding process that allows us to ensure they deliver high quality of service.

Using a corporate education concept, the initiative provides supervised training through our Learning Management System (LMS), which allows us to track key performance indicators such as the number

of participants, the number of hours of training, the percentage of participants successfully completing training, etc.

Following onboarding, the partner joins our network of Linx partners and will be eligible to undertake any new customer projects within its area of activity, under Linx supervision.

We ended year 2019 with 50 LSP partners in our Ecosystem, and we have set a target of reaching 80 LSPs by year-end 2020, advancing a structured expansion through franchises and thereby increasing proximity to our customers.

Financial Overview



Market Overview

Optimistic projections of an economic rebound in Brazil failed to materialize in 2019, with Gross Domestic Product (GDP) growth of just 1.1% in the year, contrasting with the more robust growth rates that market analysts predicted after the passage of the Pension Reform bill through Congress. External Influences such as the trade war between the U.S. and China, coupled with domestic political uncertainty, were additional contributing factors.

Reflecting the economic slowdown, the unemployment rate as measured by the Brazilian Institute for Geography and Statistics (IBGE) ended the year at an average of 11.9%—decreasing slightly by 0.4 percentage points year-over-year. However, the unemployed population was a total of 11.6 million people, a figure 70% higher than in 2014 (6.8 million).

Meanwhile, inflation as measured by the Broad Consumer Price Index (IPCA) was 4.31% at year-end 2019, an increase of only 0.56 percentage points compared to 2018. As a result, the Brazilian Central Bank reduced the basic interest rate (SELIC) during the course of the year, down to 4.5% p.a. in December—the lowest level since 1997. The U.S dollar to Brazilian real exchange rate increased by 3.5% over the year to R\$ 4.0098 in December.

In this context, 2019 was a challenging year for the retail sector in Brazil, which—according to IBGE data—grew by 1.8% in the year, a rate 0.5 lower than in 2018. This directly affected our performance in 2019 as our organic growth is directly dependent on new store openings, which were contracted in the year. A number of economic stimulus measures, such as freeing up withdrawals from the Government Severance Indemnity Fund (FGTS), contributed to a recovery from the weak first half in the second half of the year. The Black Friday season in November was also highly successful in 2019—within our own customer base, brick-and-mortar sales grew by 16%, and e-commerce sales by 24%.

E-commerce revenues continued to grow in Brazil in 2019. According to the Neotrust report prepared by e-commerce intelligence firm Compre&Confie, e-commerce revenues rose by 23% compared to 2018—reaching a total of R\$ 75.1 billion.

The retail market is experiencing a digital transformation—not only in Brazil, but also in other countries across Latin America. E-commerce, omnichannel solutions and cashless transactions are gaining increasing momentum, and this creates new opportunities for our business.

Our solid business model, the positive results from our expansion into diverse retail sectors, and our sustained, strong cash position enabled us to navigate the economic uncertainties in 2019 with confidence, as reflected in our consolidated results in the year.



Despite Brazil's subdued economic growth in 2019, cash flows were positive throughout the year

Economic and Financial Performance

GRI 103-1, 103-2, 103-3, 201

In fulfilling our mission of helping retailers to become more competitive through technology solutions, we must also work to ensure our own economic and financial sustainability

Cash generation improved significantly in 2019, while **EBITDA** rose by 18.9% compared to 2018, to R\$ 200,770 thousand. Adjusted EBITDA was R\$ 194,338 thousand (an increase of 16%) and adjusted EBITDA margin, or the ratio of EBITDA to net operating revenue, increased by 0.3 percentage points to 24.7%.

Our **EBITDA** was primarily affected by certain nonrecurring events, including NYSE listing expenses, negative foreign-exchange variance on the proceeds from our global share offering, expenses on compliance with the

Sarbanes-Oxley (SOX) Act, and expenses on the Company's Long-Term Incentive Plans.

In addition to the effects above, our **net income** was affected by negative foreign-exchange variance on the proceeds from our global share offering. As a result, **net income** in the year was R\$ 38,876 thousand, a decrease of 45.3% from R\$ 71,005 thousand in the previous year.

Gross revenue increased by 15.4% from 2018 to R\$ 904,691 thousand—of this total, R\$ 762,621 thousand is revenue from recurring operations and R\$ 142,070 thousand is service

revenue. Our performance denotes the resilience of a business model based on solutions fully integrated with our end-to-end platform, including cloud-based (Software as a Service, or SaaS), Linx Digital and Linx Pay Hub solutions. Significantly, more than 50% of recurring revenues derived from our fully cloud-based offerings in 2019, compared to only 30% in 2013.

Further financial information is provided in detail in disclosures available in the Results Center section of our Investor Relations website.

Financial effects from expansion

The expansion in the year was reflected in our net operating revenue, which rose by 15% to R\$ 788,159 thousand from 2018 to 2019. The consolidation of costs related to Hiper, Millennium and SetaDigital within the group resulted in higher costs of services provided and general and administrative expenses. We also intensified our R&D investment to strengthen our Linx Digital and Linx Pay Hub offerings, and incurred higher sales and marketing expenses as part of an effort to boost cross-selling.

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED GRI 201-1

Direct economic value generated (R\$ thousand)

Generated	2018	2019
Revenue	820,878.00	988,172.00

Direct economic value distributed (R\$ thousand)

Distributed	2018	%	2019	%
Operating costs	217,454.00	31.15%	234,445.00	27.95%
Employee salaries and benefits	305,495.00	43.76%	391,913.00	46.72%
Payments to providers of capital	88,176.00	12.63%	107,280.00	12.79%
Payments to government ¹	86,306.00	12.36%	104,868.00	12.50%
Community investments	620.00	0.09%	283.00	0.03%
Total	698,051.00	100%	838,789.00	100%

Direct economic value retained (R\$ thousand)

Retained	2018	2019
"Direct economic value generated" less "Economic value distributed"	122,872.00	149,383.00

¹ Payments to government are made in different countries; however, this information was not available at the time of writing this report.

Shared Value

GRI 103-1, 103-2, 103-3

In our approach to sharing and distributing value to society, we endeavor to actively participate in the ecosystem both through our participation in trade associations and by engaging in external initiatives. We also monitor and provide our supply chain with guidance on best practices in efficiency and compliance.

It is also our goal to increasingly share value through training and talent retention. A strengthened culture program will help sustain the medium- and long-term growth of the business through our talents.

Through our distribution channels—including 785 Hiper operators and 240 Linx franchisees—our enterprise ecosystem also supports entrepreneurship and ultimately job creation: according to the Brazilian small business support service, SEBRAE, small businesses accounted for 54% of documented jobs in Brazil as of February 2020.

We also share value with society through our active membership of or support for the following associations: **GRI 102-13**

- > **ABIEPS** – Brazilian Association of Service Station and Convenience Store Equipment and Services
- > **AFRAC** – Brazilian Commercial Automation Association
- > **AmCham Brasil** – American Chamber of Commerce for Brazil
- > **CDL BH** – Chamber of Storeowners - Belo Horizonte
- > **BRASSCOM** – Brazilian Association of Information and Communications Technology Companies
- > **SBVC** – Brazilian Retail and Consumer Society

- > **IBEVAR** – Brazilian Institute of Retail Executives
- > **ABF** – Brazilian Franchising Association
- > **ABRASCE** – Brazilian Association of Shopping Centers
- > **ABRAFRAC** – Brazilian Association of Facilities Managers
- > **ALSHOP** – Brazilian Association of Shopping Center Merchants

We have also set economic and financial targets to ensure our business sustainability and continued value creation, including the following:

Indicator	Definition	Unit	Horizon	Short-term target	Long-term target
Recurring revenue	Comprises the monthly subscription fees we charge our customers	R\$	Annual	Year-over-year growth in recurring revenue	Year-over-year growth in recurring revenue
EBITDA Margin	Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) to Total Net Revenue	%	Annual	Maintain EBITDA margins	Maintain EBITDA margins
CAPEX	Medium and long-term expenditure on the acquisition, improvement, development or expansion of infrastructure, equipment, systems and properties. Excludes acquisitions.	R\$	Annual	Maintain CAPEX/NOR	Maintain CAPEX/NOR

Supply chain GRI 102-9

Under the oversight of the internal audit, our procurement management practices were enhanced in 2019 with the development of a Procurement Standard that will be implemented in 2020. The standard contains procedures on procurement of products and services and ensuring that we only do business with suppliers that are reputable and demonstrate social, environmental and ethical integrity.

As one of the requirements under the standard, all products and services must be procured

via the Procurement Portal, and quotes must only be invited from suppliers that have been onboarded via the Procurement department in accordance with the relevant standard.

The Procurement Standard also establishes penalties for confirmed violations, such as disciplinary action in accordance with applicable labor regulations, including termination for cause, civil proceedings and/or criminal proceedings as well as termination of the service agreement or commercial relationship.



Social & Environmental Responsibility



08

Carbon Emissions

GRI 102-11, 103-1, 103-2, 103-3, 305

Our solutions indirectly help to reduce greenhouse gas (GHG) emissions in the retail sector. By using our integrated products, such as our end-to-end platform, retailer clients can collaborate with each other, e.g. through inventory sharing, so they are no longer dependent on deliveries from distribution centers, reducing delivery mileage from store to customer.

We have worked to reduce our carbon footprint internally. To achieve this—and to reduce costs as an added benefit—we have a corporate travel policy for all employees and service providers that contains procedures on booking air tickets, accommodation and vehicle rental.

The Facilities department manages our fleet of fire extinguishers, which are potential sources of fugitive emissions. Also as part of our

approach to emissions management, we have mapped out the GHG emissions caused by our operations in a GHG inventory developed in accordance with the GHG Protocol by a specialized consulting firm.

The inventory data used to calculate emissions from diesel generator sets, for example, was compiled from fueling invoices at each site. All 16 sites have emergency generators and 10 sites used their generator sets during outages in 2019.

Emissions from gasoline combustion by corporate vehicles were calculated using a formula containing variables such as distance traveled in 2019 based on control spreadsheets, route distances (calculated using the Google Maps GPS system), the number of business days in the year, and the year of manufacture of the vehicles used and average fuel consumption information available from the Brazilian land transportation authority, ANTT.



Our policies help to reduce greenhouse gas emissions

Scope 1 – Direct greenhouse gas emissions (t CO ₂ equivalent) in 2019 ¹ GRI 305-1	
Production of electricity, heat or steam	42.83
Transportation of materials, products, waste, employees and passengers	126.97
Fugitive emissions	0.26
Total gross CO₂ emissions	170.06

¹ Gases included in the calculations: Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O).

Scope 1 – Biogenic CO ₂ emissions (t CO ₂ equivalent) in 2019 GRI 305-1	
Production of electricity, heat or steam	35.83

Scope 1 – Direct greenhouse gas emissions (t CO ₂ equivalent) in 2019 ¹ GRI 305-2	
Purchased electricity	274.97

¹ Gases included in the calculation – Carbon dioxide (CO₂).

Scope 3 – Other indirect emissions (t CO ₂ equivalent) in 2019 ¹ GRI 305-3	
Business travel (car)	310.28
Air travel	1,302.14
Total	1,612.42

¹ Gases included in the calculations: Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O).

Scope 3 – GRI 305-3	
Biogenic CO ₂ emissions (t CO ₂ equivalent) in 2019	76.31

Emissions intensity (t CO ₂ equivalent) in 2019 ^{1,2} GRI 305-4	Scopes 1 and 2	Scope 3
Total GHG emissions (t CO ₂ equivalent)	445.03	1,612.42
Greenhouse gas emissions intensity	0.12	0.44

¹ Gases included in the calculations: Carbon Dioxide (CO₂), Methane (CH₄), Nitrous Oxide (N₂O).

² Greenhouse gas emissions intensity is calculated by dividing GHG emissions (t CO₂ equivalent) by the number of full-time employees.

Total equivalent emissions							
Scope	Source	Emissions (t)					
		CO ₂	CH ₄	N ₂ O	HFCs	CO ₂ e	Total
1	Generator Set	42.83	0	0	0	42.83	170.06
	Vehicle fleet	121.625	0.044	0.014	0	126.97	
	Fire extinguisher recharge	0.26	0	0	0	0.26	
2	Electricity	274.97	0	0	0	274.97	274.97
3	Business travel	1,597.89	0.11	0.0341	0	1,612.42	1,612.42

Energy

GRI 103-1, 103-2, 103-3, 302

Electricity consumption at our headquarters building in São Paulo is continually monitored: every month, we collect information from each office floor and take any required action to optimize consumption.

All bathrooms have automatic motion detection sensors, and the 20th floor—which was newly renovated in 2019—has an automated lighting system. We also use signage, such as light switch stickers, to remind employees to turn off the lights on their way out of meeting rooms, co-working spaces, etc.

As another energy-saving initiative, we recently approved the use of Automatos software to automatically power down desktop and notebook computers. Implementation of the system is scheduled for 2020, but may be postponed due to the COVID-19 pandemic.

It is also a procedure for third-party employees to shut off the air conditioning and lighting during their after-ours rounds if no employees are present on the premises.

At our branches, data collection procedures are the same as for our headquarters.

Waste

GRI 103-1, 103-2, 103-3, 306

Linx has a Solid Waste Management Plan—conforming to the Brazilian National Waste Management Policy—describing the different types and classifications of waste that are generated by our operations and providing instructions on disposal.

Our disposal procedures for electronic waste are compliant with the National Waste Management Policy (Act 12305/2014) and technical standard ABNT 16.156/2013. Electronic waste is disposed of every four months or as otherwise necessary depending on built-up volume. Items are

dismantled, decharacterized and either recycled or reused, in a certified, environmentally compliant process.

Another initiative, designed to engage employees in minimizing waste, is the use of non-disposable cups and mugs for water, coffee and popcorn, minimizing plastic and paper usage. We also provide employees with reusable cups and eco-bags during induction training, so they can implement our waste reduction practices from day one.

Fuel consumption from nonrenewable sources GRI 302-1	(GJ) ¹
Diesel fuel (generators)	645.00
Gasoline (internal fleet)	1,772.68
Total	2,417.68

¹ Gigajoules.

We have worked to achieve energy savings through a number of initiatives, such as automated systems and employee awareness campaigns

Relations with Communities

GRI 103-1, 103-2, 103-3, 413, 413-1

Our engagement with local communities is an important pillar in our approach to sustainability. We are committed to using technology as a lever for disseminating education and professional development; and we believe that, through technology, we can enhance our engagement in the development of at-risk youth, by offering opportunities for them to access new professional opportunities and unlock new possibilities for their personal and social development.

These initiatives are led by the Sustainability team, with focal points at our branches and head office. Social projects are monitored by partner NGOs, which periodically report to the Company on results for disclosure.

2019 Highlights

Movimento Arredondar

R\$ 835,000 in funding raised and distributed to **20** NGOs since 2013



Programming Literacy

8,000 students and **200** educators trained through a program in partnership with the Ayrton Senna Institute in **2019**



Recode

A total of **604** young people from **28** organizations in **4** Brazilian states received technology training in 2019



Social programs are selected based on their potential to generate positive results and impact society

Some of our projects support programming literacy as well as helping to develop logical skills in youth by equipping them to better understand a project and then challenging them to come up with innovative solutions. Although not necessarily designed to train technology professionals, these initiatives help to show that technology can be a real career choice for participants.

Contractual KPIs are established for each project and include social and economic metrics—some courses require a minimum of 50% of participants to be women, and preferably at-risk individuals.

The following were the most significant programs we supported in 2018 and 2019:



Movimento Arredondar

We have been partners of the **Movimento Arredondar** initiative since 2013 and to date have **raised R\$ 835,000** in funding for more than 20 NGOs. This initiative provides a platform—using our Linx POS, Microvix, Degust, UX Moda and Omini Pos systems—that enables customers to offer end consumers the opportunity to round their payments to the nearest real and donate the difference to previously evaluated and registered NGOs. The initiative monitors implementation at our customers and selects and monitors the social organizations that receive donations—and reports on its website in real time, ensuring transparency. The end-to-end



initiative is audited by PwC. The initiative raised R\$ 80,500 in funding in 2019.

Ayrton Senna Institute

In 2018, with support from the Ayrton Senna Institute, we launched the Program for Literacy in Programming (**Programa Letramento em Programação**), which seeks to promote literacy in computer programming languages in order to foster computing literacy among students from public elementary schools. Along the journey, participants progress through stages that allow for the development of skills such as creativity, collaboration, logical reasoning and communication. In the first year of the

partnership—2018—3,600 students completed the course and 182 educators were trained. In 2019, the program was expanded to benefit more than **8,000 students** and around **200 educators** in 18 cities in six Brazilian states.

Solidarity campaigns

Each year, our headquarters and branches organize campaigns to collect donations for NGOs. Employees collect donations of clothing, toys, books, food and entertainment items that are then delivered to at-risk, low income communities. In 2019, the Winter Clothing Campaign distributed 1,934 items of clothing collected by 30 volunteers at 13 sites. A Children's Day Campaign distributed 755 items in 15 cities in Brazil, including books and toys; our São Paulo head office alone donated 269 items. Our Christmas Solidarity campaign distributed 3,710 items collected by our headquarters and more than 15 branches to homeless children, adults and

elderly. Between 2017 and 2019, the three campaigns combined donated a total of 16,800 items, including 7,000 items from the Winter Clothing Campaign, 2,000 books and toys from the Children's Day Campaign, and 7,800 gifts from the Christmas Solidarity campaign.



Volunteering

In 2018 we initiated a series of volunteering actions building on the success of employee initiatives and based on the needs of partner NGOs. Employees engage in donation campaigns with visits to NGOs, tours and presentations for youth served by social projects; lectures and classes at partner NGOs, focusing on technology, the job market, first jobs, possible professions, project mentoring and other fronts.

In 2019, the program was enhanced with the launch of the Linx Volunteering Policy following discussion and validation by the Sustainability Committee, one of the program's partners, which was also created in the year.

The document provides support and guidance to volunteers and managers on voluntary activities. In addition, in 2019 we developed a Volunteer's Guide, with practical guidance and tips for employees looking to engage in volunteering but unsure of how to start or what causes to support. The result of discussions throughout 2019 involving employees and managers, the

two documents were launched during a Leadership Summit in early 2020.

Our Sustainability team is responsible for planning and coordinating corporate campaigns and initiatives. With focal points at each branch and at our headquarters, the team also monitors our social projects in partnership with NGOs through periodic controls and meetings.

We developed an online form that we regularly send to employees for them to apply to participate as volunteers in our social initiatives. In 2019, a total of 222 employees from our head office and branches participated in four initiatives, dedicating 570 hours to volunteering activities.

Total volunteers engaged in volunteering initiatives in 2019 (head office and branches in Brazil)	
Winter Clothing Campaign	30
Children's Day	31
End-of-Year Campaign ¹	74
Mentoring (Code Experience, at SENAI), IAS Visit; Christmas; Children's Day; Easter ²	87
Total volunteers involved	222
Total hours dedicated to volunteering	570

¹ Branches only.
² Head office only.



Our volunteering activities were enhanced in 2019 with the launch of our Volunteering Policy

Two of our most significant initiatives in 2019 were:

Brincar de Quê? – Joint story writing

In a Children's Day volunteering initiative in partnership with startup Presente em Palavras and civil society organization (CSO) Liga Solidária, 15 children from the organization's Casulo unit participated in a joint story making activity. Sitting in circles, children were encouraged to use their imagination to create storylines,



characters and illustrations that would then be compiled into a book. The 15 volunteers participated in discussion circles with the children and encouraged them to create the storyline, characters and illustrations for their stories. The stories were shared with writer Silvana Salerno, who then transformed them into five short stories that were published in 2020 in an e-book on our website as well as in print. The program has left another legacy, in addition to stimulating children's creativity: the Casulo unit has been taught the methodology and can now use it to provide the same rich experience for future classes.



Code Experience

This initiative is a partnership with the Industry-Led Training Service in São Paulo (SENAI-SP) to provide programming training to at-risk young people. A significant number of employees volunteered to help train the 100 participating students. The volunteers are responsible for developing challenges for students to solve, as well as providing mentoring—delivering a rich, participatory experience to participants. The Code Experience initiative was hosted at the SENAI-SP unit in the district of Santa Cecília, São Paulo City, benefiting a total of 100 young people—of which 60% were women and black participants from low income communities. Participants were referred to opportunities in the job market, including job vacancies at Linx—four participants were hired in the year. As with the Recode program, this project required 50% of participants to be women.

GRI Content Index

GRI 102-55

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GOVERNANCE				
GRI 102: General disclosures 2016	102-18 Governance structure	26		
	102-22 Composition of the highest governance body and its committees	26		
	102-23 Chairman of the highest governance body	The chairman is not permitted to serve in an executive position within the Company.		
	102-24 Nominating and selecting the highest governance body	26		
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	102-40 List of stakeholder groups	8		
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	102-42 Identifying and selecting stakeholders	8		
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GRI Standard	Disclosure	Page/URL	Omission	SDG
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GRI 102: General disclosures 2016	102-45 Entities included in the consolidated financial statements	7		
	102-46 Defining report content and topic Boundaries	7 and 8		
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	102-48 Restatements of information	None.		
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	103-3 Evaluation of the management approach	71		
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	72		2, 5, 7, 8, 9
	201-3 Defined benefit plan obligations and other retirement plans	Linx has no defined benefit plans. Because our workforce is primarily composed of young employees, our focus in previous years has been on structuring existing benefits and enhancing basic benefits. In 2019 we conducted a private pension study and survey, and we continue to monitor the market, but have no plans to set up a defined benefit plan in the near future.		

MARKET PRESENCE

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	103-2 The management approach and its components	46		
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	103-2 The management approach and its components	78		
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GRI 305: Emissions 201	305-1 Direct (Scope 1) GHG emissions	77		3, 12, 13, 14, 15
	305-2 Indirect (Scope 2) GHG emissions	77		3, 12, 13, 14, 15
	305-3 Other indirect (Scope 3) GHG emissions	77		3, 12, 13, 14, 15
	305-4 GHG emissions intensity	77		13, 14, 15
	305-5 Reduction of GHG emissions		We resumed compiling emissions inventories in 2019, and will use this information as a basis for providing this disclosure from 2020.	13, 14, 15
GRI 305: Emissions 201	305-6 Emissions of ozone-depleting substances (ODS)	Our Cascavel and Joinville (SC) operations use R-410 gas in their refrigeration systems. This gas is covered by the Kyoto protocol but no systems were recharged in 2019.		3, 12, 13
	305-7 NOx, SOx, and other significant air emissions	We do not generate NOx, SOx and other significant air emissions.		3, 12, 13, 14, 15

GRI Standard	Disclosure	Page/URL	Omission	SDG
ENVIRONMENTAL COMPLIANCE				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	10 and 32		
	103-2 The management approach and its components	32		
	103-3 Evaluation of the management approach	32		
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	Compliance with social and economic laws and regulations is monitored by our Legal and Facilities departments.		12, 13, 14, 15, 16
EMPLOYMENT				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	36		
	103-2 The management approach and its components	36		
	103-3 Evaluation of the management approach	36		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	38		5, 8
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	39		8
	401-3 Parental leave	41		5, 8
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GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	10 and 42		
	103-2 The management approach and its components	42		

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GRI 103: Management approach 2016	103-3 Evaluation of the management approach	42		
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GRI 404: Training and education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	43		8
	404-3 Percentage of employees receiving regular performance and career development reviews	43		5, 8
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GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	10 and 44		
	103-2 The management approach and its components	44		
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GRI 405: Diversity and equal opportunity 2016	405-1 Diversity of governance bodies and employees	46 and 47		5, 8
	405-2 Ratio of basic salary and remuneration of women to men	46 e 48		5, 8, 10
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GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	10 and 32		
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GRI Standard	Disclosure	Page/URL	Omission	SDG
GRI 103: Management approach 2016	103-3 Evaluation of the management approach	32		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	None.		5, 8, 16
LOCAL COMMUNITIES				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	79		
	103-2 The management approach and its components	79		
	103-3 Evaluation of the management approach	79		
GRI 413: Local communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	79		
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SOCIAL AND ECONOMIC COMPLIANCE				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its Boundary	10 and 32		
	103-2 The management approach and its components	32		
	103-3 Evaluation of the management approach	32		
GRI 419: Social and economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	In 2019 Linx received two non-monetary sanctions from the Brazilian securities commission (CVM) for noncompliance with financial reporting rules, for having misclassified a market notice (which CVM deemed to be a material fact). Fines are deemed to be relevant if exceeding R\$ 500,000.		16

OTHER INDICATORS

MATERIAL TOPIC	ASPECT	DESCRIPTION	PAGE/URL
Customer Engagement and Improving the Customer Experience	Customer Satisfaction and Loyalty	Net Promoter Score (NPS) = % promoters – % detractors = % NPS	10 and 63
Data Privacy & Security	Data Privacy & Freedom of Expression	SASB - TC-SI-220a.1. IT Software and services - Description of policies and practices on user privacy and public behavior	10 and 64
	Management of systemic risk of technology disruptions.	SASB - TC - SI - 550a.1. IT Software and services – Number of (1) performance issues and (2) service outages; (3) total client downtime	10 In 2019 Linx had 103 active solutions available for use by customers. These solutions were monitored via 2,473 monitoring points covering 159,530 monitored items. The monthly incident rate per monitored point was 0.72%. Average uptime across all solutions delivered to customers was 99% and was monitored 24/7. Uptime is one of the most important metrics in our service levels. Depending on the arrangement, contractual SLA levels range from 98.5% to 99.5% depending on the customer’s business requirements. In January and February 2020, average uptime levels were respectively 99.84% and 99.48%.
Education & Development	Investment in training	Return on Investment in Training – ROI	10 and 42
Transparency	Transparency in public environments	Management Approach – Information provided to the public	10 and 31

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