

TOTVS S.A.

A publicly-held corporation

Tax Id. (CNPJ/MF) No. 53.113.791/0001-22

Company Registry (NIRE) 35.300.153.171

Management's Proposal

**Annual and Extraordinary
General Meetings (AEGM)**

April 20, 2021



March 19, 2021



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Dear Shareholders,

The Management of the Brazilian corporation known as TOTVS S.A. (hereinafter referred to as "TOTVS", or the "Company") hereby submits its proposal ("Proposal") on the matters included in the agenda of the Company's Annual and Extraordinary General Meetings to be held, concurrently, on April 20, 2021 at 10.00 a.m. (BRT - Brazilian time), at the Company's headquarters (the "Meetings").

The Management hereby informs that the call for such Meetings, as well as the Proposal, were approved by the Board of Directors at a meeting held on March 12, 2021.

For the Annual General Meeting:

1. Reviewing the Company's accounts as submitted by its Management, and also examine, discuss, and vote on the Company's Financial Statements for the fiscal year ended on December 31, 2020.

We hereby propose that the management accounts and audited financial statements for the fiscal year 2020 be approved without restriction, as they were disclosed on February 10, 2021 on the websites of the Brazilian Securities and Exchange Commission ("CVM") and the major Brazilian stock exchange known as B3 S.A. - Brazil, Bolsa, Balcão (hereinafter, "B3"), through the Supplementary and Periodic Information System ("IPE"), and published on February 11, 2021 in the newspapers "Valor Econômico" and "Diário Oficial do Estado de São Paulo" (Official Gazette of the State of Sao Paulo, Brazil). Pursuant to Article 9, III, of CVM Instruction No. 481 of December 17, 2009 ("CVM Instruction 481/09"), the Directors' comments on the Company's financial status are detailed in **EXHIBIT I** to this Proposal.

2. Deciding on the capital budget for the purposes of complying with article 196 of Brazilian Law 6.404/76 (the Brazilian Corporations Act)

As detailed in **EXHIBIT II** of this Proposal, we hereby propose the allocation, in order to face the Company's investment plan in 2021, to expansion projects, acquisition of assets, and strategic initiatives, in the amount of R\$ 132,731,049.91 (one hundred and thirty-two million, seven hundred and thirty-one thousand, forty-nine Reals and ninety-one cents), to be supported by retained earnings and own resources generated by the Company's operating activities.

3. Deciding on the allocation of net income for such fiscal year and the distribution of dividends.

As detailed in **EXHIBIT III** to this Proposal, we hereby propose the following allocation of net income for fiscal year 2020:

Net profit of the fiscal year 2020	R\$294,957,888.68
Legal reserve	R\$14,747,894.43
Interest on Net Equity - stated on Aug. 3, 2020	R\$39,742,843.21
Interest on Net Equity - stated on Dec. 15, 2020	R\$56,775,735.10
Dividends	R\$50,960,366.03
Retained earnings reserve	R\$132,731,049.91



Of the total net income for the fiscal year ended December 31, 2020, in the amount of R\$294,957,888.68 (two hundred and ninety-four million, nine hundred and fifty-seven thousand, eight hundred and eighty-eight Reals and sixty-eight cents), we propose that the following amounts are allocated as follows: (a) R\$14,747,894.43 (fourteen million, seven hundred and forty-seven thousand, eight hundred and ninety-four Reals and forty-three cents) to the legal reserve; (b) R\$147,478,944.34 (one hundred and forty-seven million, four hundred and seventy-eight thousand, nine hundred and forty-four Reals and thirty-four cents) to the payment of interest on net equity and dividends to shareholders, of which R\$39,742,843.21 (thirty-nine million, seven hundred and forty-two thousand, eight hundred and forty-three Reals and twenty-one cents) as interest on net equity already stated on August 3rd, 2020 and paid on 22 October 2020, R\$56,775,735.10 (fifty-six million, seven hundred and seventy-five thousand, seven hundred and thirty-five Reals and ten cents) as interest on net equity already stated on December 15, 2020 and to be paid on May 20, 2021; and R\$ 50,960,366.03 (fifty million, nine hundred and sixty thousand, three hundred and sixty-six Reals and three cents) as dividends to be paid on May 20, 2021, as resolved at the Board of Directors' meetings held on August 3rd, 2020, December 15, 2020 and February 8, 2021, respectively, and R\$132,731,049.91 (one hundred and thirty-two million, seven hundred and thirty-one thousand, forty-nine Reals and ninety-one cents) to the retained earnings reserve, pursuant to Article 196 of the Brazilian Corporations Act, based on the capital budget to be approved by the General Meeting pursuant to section (2) hereinabove.

4. Determining the annual global remuneration of the members of both the Board of Directors and the Board of Executive Officers for the fiscal year 2021.

For comparative purposes, we first present the details of the global annual remuneration for the fiscal year 2020 and the Compensation Proposal for the fiscal year 2021:

I - FISCAL YEAR 2020

At the Annual General Meeting held on April 27, 2020, a total compensation amount of up to R\$42,347,414.09 (forty-two million, three hundred and forty-seven thousand, four hundred and fourteen Reals and nine cents) was approved for the fiscal year 2020, encompassing Fixed, Variable, and Share-based Compensation. Out of the total amount approved, R\$34,540,622.08 (thirty-four million, five hundred and forty thousand, six hundred and twenty-two Reals and eight cents) were actually used for that purpose.

As stated in detail in the tables and graphs below, the actual use of an amount 18.44% (eighteen, point forty-four percent) below the limit approved was possible due to the following factors:

- (i) Book value referring to Share-based Compensation, as a result of the granting of restricted shares in the 2020 grants with a price lower than that provided for in the Compensation Proposal due to the update of the average of the last 30 (thirty) sessions that preceded the preparation of the proposal and the effective grant date - the proposal was of R\$20.60 (twenty Reals and sixty cents) and the grants were made with the reference price of R\$17 (seventeen Reals);
- (ii) The new member of the Board of Executive Officers foreseen in the proposal for the second half of the year was not hired;
- (iii) Bonus remained below the estimated number in the proposal due to the average level of achievement of goals by the Board of Executive Officers;
- (iv) Adjustments in the contracts of benefits, such as medical and dental assistance, lower than the ones originally estimated; and
- (v) Individual adhesion of the Board of Executive Officers to the post-employment benefit package regarding the private pension plan at a level lower than that provided for in the proposal.



PROPOSED AND PERFORMED NUMBERS IN 2020

	Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.67	7.50	15.17	7.67	7.00	14.67
Fixed annual compensation (FC)						
Salary or management fees	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
Total FC	4,892,761.84	9,320,916.10	14,213,677.94	4,832,530.35	8,710,640.76	13,543,171.11
Variable compensation (VC)						
Bonus	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
Total Fix.C. + Var.C.	4,892,761.84	14,404,651.53	19,297,413.37	4,832,530.35	12,289,714.90	17,122,245.25
Other						
Post-employment benefits	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
Total FC + VC + Other	0.00	5,540,710.84	5,540,710.84	0.00	3,833,153.65	3,833,153.65
Total FC + VC + Other	4,892,761.84	14,861,626.94	19,754,388.78	4,832,530.35	12,543,794.41	17,376,324.76
Share-based compensation¹						
Accounting recognition - granting in the current year	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
Accounting recognition - granting in previous years	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
Total share-based compensation	2,394,800.00	20,198,225.31	22,593,025.31	2,139,000.00	15,025,297.35	17,164,297.35
General Total	7,287,561.84	35,059,852.25	42,347,414.09	6,971,530.35	27,569,091.76	34,540,622.11

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).
Note: the actual amounts in 2020 of the accounting recognition of previous years of share-based compensation refer to R\$1,492,947.59 (one million, four hundred and ninety-two thousand, nine hundred and forty-seven Reals and fifty-nine cents), of the 2016 grants, R\$1,889,684.21 (one million, eight hundred and eighty-nine thousand, six hundred and eighty-four Reals and twenty-one cents) of the 2017 grants, R\$3,511,380.43 (three million, five hundred and eleven thousand, three hundred and eighty Reals and forty-three cents) of the 2018 grants and R\$4,781,140.12 (four million, seven hundred and eighty-one thousand, one hundred and forty Reals and twelve cents) of the 2019 grants.

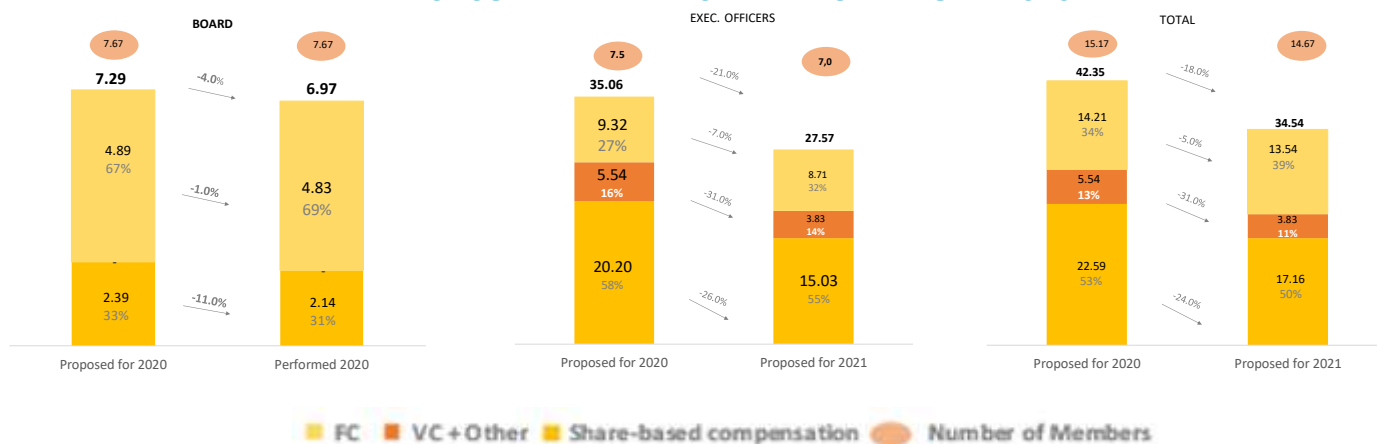
VARIATION BETWEEN PROPOSED AND ACTUAL NUMBERS IN 2020

	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	0.00	-0.50	-0.50	0.00%	-6.67%	-3.30%
Fixed annual compensation (FC)						
Salary or management fees	0.00	-431,050.11	-431,050.11	0.00%	-5.45%	-3.80%
Direct and indirect benefits	-26,247.49	-179,225.23	-205,472.72	-6.64%	-12.65%	-11.33%
Compensation for participation in Committees	-33,984.00	0.00	-33,984.00	-3.25%	-	-3.25%
Total FC	-60,231.49	-610,275.34	-670,506.83	-1.23%	-6.55%	-4.72%
Variable compensation (VC)						
Bonus	0.00	-1,504,661.29	-1,504,661.29	-	-29.60%	-29.60%
Total Fix.C. + Var.C.	-60,231.49	-2,114,936.62	-2,175,168.12	-1.23%	-14.68%	-11.27%
Other						
Post-employment benefits	0.00	-202,895.90	-202,895.90	-	-55.62%	-55.62%
Benefits for termination of tenure	0.00	0.00	0.00	-	0.00%	0.00%
Total FC + VC + Other	0.00	-1,707,557.19	-1,707,557.19	-	-30.82%	-30.82%
Total FC + VC + Other	-60,231.49	-2,317,832.52	-2,378,064.02	-1.23%	-15.60%	-12.04%
Share-based compensation¹						
Accounting recognition - granting in the current year	-255,800.00	-1,170,285.00	-1,426,085.00	-20.62%	-20.62%	-20.62%
Accounting recognition - granting in previous years	0.00	-4,002,642.96	-4,002,642.96	0.00%	-27.56%	-25.53%
Total share-based compensation	-255,800.00	-5,172,927.96	-5,428,727.96	-10.68%	-25.61%	-24.03%
General Total	-316,031.49	-7,490,760.48	-7,806,791.98	-4.34%	-21.37%	-18.44%

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).



PROPOSED AND PERFORMED NUMBERS IN 2020



II - FISCAL YEAR 2021

For 2021, the Company's Management informs that it has not made any changes to the compensation plan of the Board of Directors and Board of Executive Officers, be it to criteria of Fixed, Variable (Bonus), Benefits, or Share-based Compensation.

A. Number of members:

Regarding the number of members of the Board of Directors and Statutory Board of Executive Officers for 2021, the Company's Management hereby proposes:

- (i) Maintaining the number of members of the Board of Directors; and
- (ii) The possibility of adding a member to the Board of Executive Officers over 2021.

B. Fixed and variable compensation and benefits:

For purposes of equalization with market practices, the Company's Management proposes for 2021:

- (i) Updating the amounts regarding the Fixed Compensation of the Board of Directors at an index equivalent to the inflation rate ascertained in the period;
- (ii) Updating the amounts referring to the Compensation for Taking Part in Committees for Coordinators of Committees in a rate higher than the inflation in the period, according to the practices observed in the market and the distinguished level of dedication of this role if compared to the other committee members. This item represents an additional 12.42% (twelve point forty-two percent) regarding the 2020 proposal in the line "Compensation for taking part in committees";
- (iii) Updating the amounts related to the Fixed Compensation and Bonuses of the Vice-Presidents (Statutory Board of Executive Officers) at a rate equivalent to the inflation ascertained in the period; and updating the amounts regarding the CEO's Fixed Compensation and Bonuses (Statutory Board of Executive Officers) at an index higher than the inflation, aiming at adapting it to the standards practiced especially in the information technology market in Brazil. These items, taken together, represent an additional of 4.92% (four point ninety-two percent) in the salaries of the Statutory Board of Executive Officers and 12.59% (twelve point fifty-nine percent) in the bonuses payable (both compared to the 2020 proposal); and
- (iv) Readjusting the amounts of medical and dental assistance benefits provided to the Statutory Board of Executive Officers, according to the conditions provided for in the contracts with the corresponding service providers.

As contained in the items above, the Company's Management proposes for 2021, under the terms of the Board of Directors' meeting held on March 12, 2021, an amount of up to R\$20,723,601.78 (twenty million, seven hundred and twenty-two thousand three hundred and one Reals and seventy-eight cents) as fixed and variable



compensation, plus benefits. This proposal brings an increase of 4.91% (four point ninety-one percent) compared to the amounts proposed for 2020, as shown in the tables and graphs below:

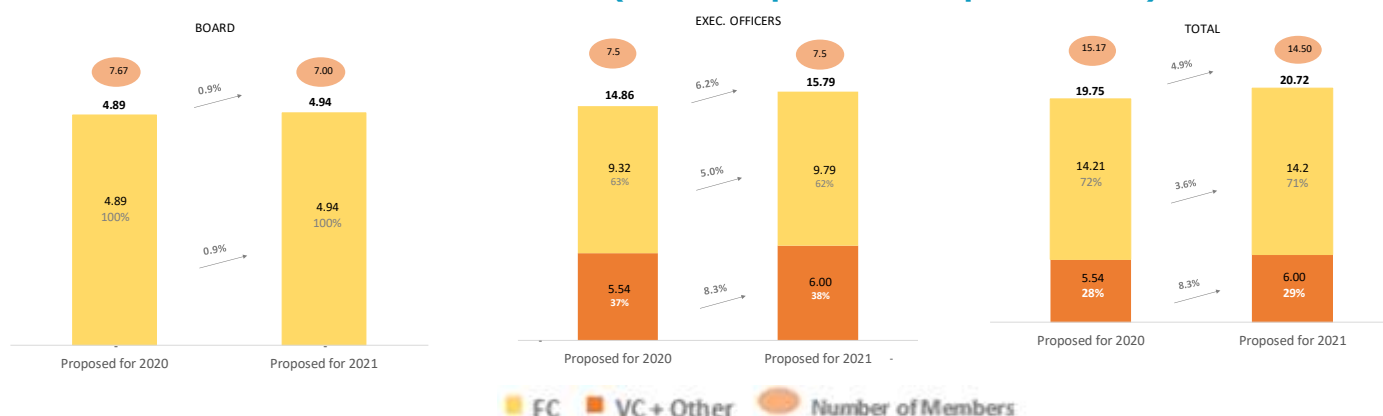
PROPOSAL FOR 2021 (Fixed Comp. + Var. Comp. + Benefits)

	Proposed 2021			Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.00	7.50	14.50	7.67	7.50	15.17	7.67	7.00	14.67
Fixed annual compensation (FC)									
Salary or management fees	3,381,243.72	8,292,805.49	11,674,049.22	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	380,699.23	1,495,195.59	1,875,894.82	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,174,779.61	0.00	1,174,779.61	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
Total FC	4,936,722.57	9,788,001.08	14,724,723.65	4,892,761.84	9,320,916.10	14,213,677.94	4,832,530.35	8,710,640.76	13,543,171.11
Variable compensation (VC)									
Bonus	0.00	5,723,800.27	5,723,800.27	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
Total Fix.C. + Var.C.	4,936,722.57	15,511,801.35	20,448,523.92	4,892,761.84	14,404,651.53	19,297,413.37	4,832,530.35	12,289,714.90	17,122,245.25
Other									
Post-employment benefits	0.00	275,077.86	275,077.86	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	0.00	0.00	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
Total FC + VC + Other	0.00	5,998,878.13	5,998,878.13	0.00	5,540,710.84	5,540,710.84	0.00	3,833,153.65	3,833,153.65
Total FC + VC + Other	4,936,722.57	15,786,879.21	20,723,601.78	4,892,761.84	14,861,626.94	19,754,388.78	4,832,530.35	12,543,794.41	17,376,324.76

VARIATION BETWEEN 2021 PROPOSAL AND 2020 PROPOSAL (Fixed Comp. + Var. Comp. + Benefits)

	Proposed 2021 vs. Proposed 2020			Proposed 2021 vs. Proposed 2020		
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	-0.67	0.00	-0.67	-8.70%	0.00%	-4.40%
Fixed annual compensation (FC)						
Salary or management fees	-70,980.28	389,235.43	318,255.15	-2.06%	4.92%	2.80%
Direct and indirect benefits	-14,859.41	77,849.56	62,990.15	-3.76%	5.49%	3.47%
Compensation for participation in Committees	129,800.41	0.00	129,800.41	12.42%	-	12.42%
Total FC	43,960.72	467,084.99	511,045.71	0.90%	5.01%	3.60%
Variable compensation (VC)						
Bonus	0.00	640,064.84	640,064.84	-	12.59%	12.59%
Total Fix.C. + Var.C.	43,960.72	1,107,149.83	1,151,110.55	0.90%	7.69%	5.97%
Other						
Post-employment benefits	0.00	-89,702.29	-89,702.29	-	-24.59%	-24.59%
Benefits for termination of tenure	0.00	-92,195.26	-92,195.26	-	-100.00%	-100.00%
Total FC + VC + Other	0.00	458,167.29	458,167.29	-	8.27%	8.27%
Total FC + VC + Other	43,960.72	925,252.28	969,213.00	0.90%	6.23%	4.91%

PROPOSAL FOR 2021 (Fixed Comp. + Var. Comp. + Benefits)





C. Share-based Compensation:

The share-based compensation recognized in each fiscal year and explained throughout this topic strictly follows the criteria corresponding to the maximum accounting estimates due to the accounting deferral set forth by the applicable legislation under the CPC 10 standard. The CPC 10 accounting standard, based on the international standard IFRS 2, aims at prescribing procedures for the recognition and disclosure of transactions with payment based on actions carried out by the Companies. To assist understanding thereof, according to CPC10 the cost of transactions settled with equity instruments must be measured based on the fair value on the date they were granted, using an appropriate valuation model. Such cost is recognized in share-based compensation expenses together with the corresponding increase in shareholders' equity over the plan's grace period. For detailed information, please visit:

<http://www.cpc.org.br/CPC/Documentos-Emitidos/Pronunciamentos/Pronunciamento?Id=41>

As regards the year-over-year progress, the Share-Based Compensation goes from the 2020 proposed value of R\$22,593,025.31 (twenty-two million, five hundred and ninety-three thousand, twenty-five Reals and thirty-one cents) to the 2021 proposal of R\$29,563,660.30 (twenty-nine million, five hundred and sixty-three thousand, six hundred and sixty Reals and thirty cents), as shown in the table below:

2021 PROPOSAL (SHARE-BASED COMPENSATION):

	Proposed 2021			Proposed for 2020			Performed 2020			Variation of proposed #2021 vs. prop.20
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total	
Share-based compensation¹										
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00	3,016,393.00
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35	3,954,241.99
Total share-based compensation	4,487,100.00	25,076,560.30	29,563,660.30	2,394,800.00	20,198,225.31	22,593,025.31	2,139,000.00	15,025,297.35	17,164,297.35	6,970,634.99
Total number of shares - granting in the current year	270,000	1,174,950	1,444,950	270,000	1,235,250	1,505,250	270,000	1,235,250	1,505,250	-60,300.00
Total number of shares - granting in previous years	540,000	3,008,064	3,548,064	270,000	2,601,639	2,871,639	270,000	2,550,613	2,820,613	676,425.00
Total number of shares	810,000	4,183,014	4,993,014	540,000	3,836,889	4,376,889	540,000	3,785,863	4,325,863	616,125
Total economic par value - granting in the current year	8,351,100	36,341,204	44,692,304	5,581,800	25,536,735	31,118,535	4,430,700	20,270,453	24,701,153	13,573,769

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

Note 1: the amounts granted in previous years were approved by the competent bodies, in accordance with the Share-Based Incentive and Retention Plans approved by the shareholders at General Meetings held, respectively, on December 15, 2015 that was amended on April 5, 2018 and April 18, 2019, having been, therefore, already granted to the beneficiaries.

Note 2: the total book economic value multiplies the total number of shares of the grants performed in the current year with the fair value of the shares.

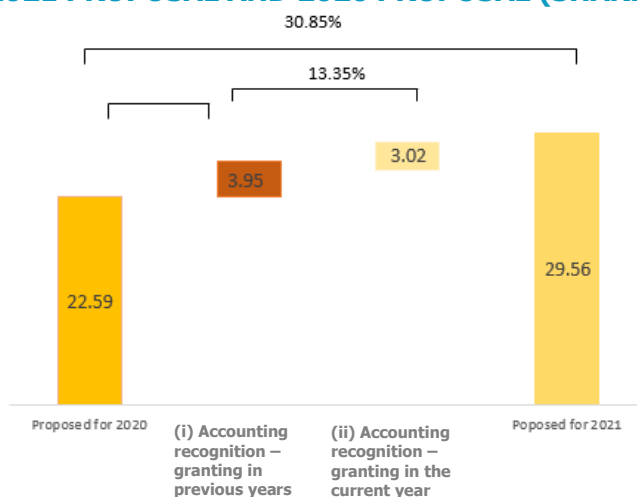
Such increase of R\$6.970.634,99 (six million, nine hundred and seventy thousand, six hundred and thirty-four Reals and ninety-nine cents) is explained by the following effects:

- (i) **Accounting recognition of amounts granted in previous years:** estimated appreciation of approximately 214% (two hundred and fourteen percent), of the shares granted in 2018 that will be effectively delivered to the participants in 2021, with an impact on withheld taxes; more effect of the stacking of the last 3 grants, accumulating the grants performed in 2018 (4/36 in 2021), 2019 (12/36 in 2021), and 2020 (12/36 in 2021) together with the 2021 grant (8/36 in 2021), which end up increasing the total for the year at issue. These factors represent an impact of R\$3.954.241,99 (three million, nine hundred and fifty-four thousand, two hundred and forty-one Reals and ninety-nine cents).
- (ii) **Accounting recognition of grants performed in the current year:** estimated appreciation of shares to be granted in 2021, in the range of 88% (eighty-eight percent), compared to the grant made in 2020; this represents an impact of R\$3.016.393 (three million, sixteen thousand and three hundred

and ninety-three Reals), even with the expected delivery of 60,300 (sixty thousand and three hundred) less shares in 2021.

Adding items (i) and (ii), the impact of 30.85% (thirty point eighty-five percent) represents the difference between the 2021 proposal and the 2020 proposal, as shown in the graph below:

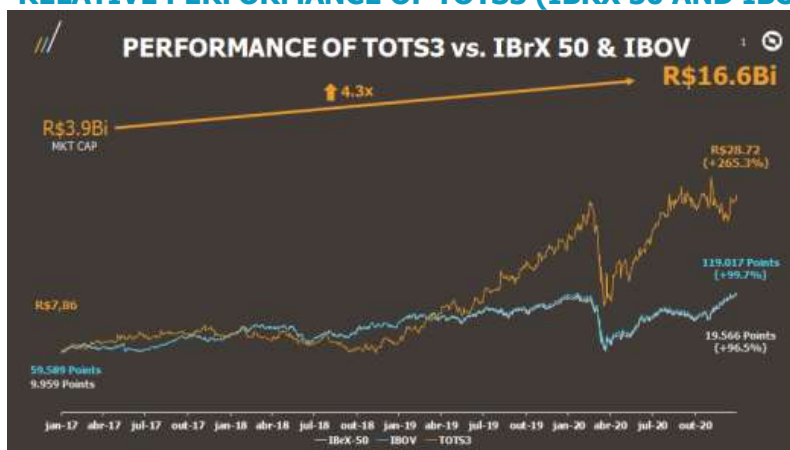
VARIATION BETWEEN 2021 PROPOSAL AND 2020 PROPOSAL (SHARE-BASED COMPENSATION):



The aforementioned positive effects played, as expected, a critical role in aligning the interests both of shareholders and Management, given the appreciation of TOTVS's share value over the past few years. As shown in the graph below, we can see the high performance of TOTS3 against two important market indexes:

1. **Ibovespa:** the most important indicator of the average performance of the prices of shares traded on B3 (Brazil, Bolsa, Balcão), formed by the shares with the highest volume traded in recent months. Since 2020, TOTVS has been part of this index.
2. **IBrX50:** an indicator of the average price performance of the 50 most tradable and representative assets of the Brazilian stock market. TOTVS has been part of this index since 2021.

RELATIVE PERFORMANCE OF TOTS3 (IBRX 50 AND IBOV):



We explain below, in detail, the effects of changes in the amounts of share-based compensation for the Board of Directors and Statutory Board of Executive Officers considering the accounting recognition of the grants for the current and previous years:



Accounting recognition of current year grants:

The Share-Based Incentive and Retention Plan approved at the Extraordinary General Meeting held on December 15, 2015 and amended on April 5, 2018 and April 18, 2019 (the "Plan"), may cover up to 5.68% (five point sixty-eight percent) of the Company's Capital Stock, which currently represents 32,825,469 million shares in ten years, that is, an average of 3,282,547 shares per year.

For the fiscal year 2021, within the scope of the Plan, the Board of Directors intends to grant 1,444,950 (one million, four hundred and forty-four thousand, nine hundred and fifty) restricted shares to the Company's Management members, corresponding to 0.25% (zero point twenty-five percent) of the Capital Stock on this date, compared with 1,505,250 (one million, five hundred and five thousand, two hundred and fifty) shares (0.26% of the share capital on April 27, 2020) in 2020. For the purposes of this proposal, to calculate the granting regarding year 2021 we have considered the average price of the 30 (thirty) trading sessions previous to the base date of March 15, 2021, which represents a book economic value of R\$44.692.303,50 (forty-four million, six hundred and ninety-two thousand, three hundred and three Reals and fifty cents), corresponding to R\$30.93 (thirty Reals and ninety-three cents) per share; emphasizing that the key factor to be considered at the time of the grant, scheduled for May 5, 2021, is the number of shares that will be granted, as this is already determined. It is worth noticing that the effective economic value to be allocated to the granting for the fiscal year 2021 will consider the average price of the 30 (thirty) trading sessions prior to the granting date, as provided for in the Plan. Pursuant to the applicable laws and the characteristics of the Plan, according to the CPC 10 accounting standard, the accounting for this 2021 granting will take place over three years. As a result of the accounting deferral determined by the applicable legislation, the amount to be accounted for in the 2021 fiscal year regarding the 2021 grants will be up to R\$9.931.623 (nine million, nine hundred and thirty-one thousand, six hundred and twenty-three Reals), which corresponds to 8/36 of the economic value of R\$44.692.303,50 (forty-four million, six hundred and ninety-two thousand, three hundred and three Reals and fifty cents).

The table below shows the estimated effect of accounting for 2021 grants over the next few years:

SHARE-BASED COMPENSATION - 2021 GRANTS:

Year	Amount accounted for	Hundredths
2021	R\$10,011,898	8/36
2022	R\$15,017,847	12/36
2023	R\$15,017,847	12/36
2024 *	R\$5,005,949	4/36
Total book economic value	R\$45,053,541	36/36

*these amounts may change according to the variation of the value of the restricted shares on the moment of the effective delivery to the participants, impacting the taxes withheld, in addition to any cancellations over time.

Accounting recognition of grants from previous years:

In addition to the amount of R\$9.931.623 (nine million, nine Thousand and thirty-one, six hundred and twenty-three Reals), as a result of the provisions set forth in the applicable laws (CPC 10), the amount allocated to share-



based compensation should be increased by the amount of R\$19.632.037,30 (nineteen million, six hundred and thirty-two thousand, and thirty-seven Reals and thirty cents), referring to the accounting recognition estimated for the fiscal year 2021, regarding the accounting of the grants made in previous years for the Management members, due to the accounting deferral determined by the applicable legislation as previously mentioned.

The amount referred to in the above paragraph refers to all granting made in previous years that were approved by the competent bodies, according to the Share-Based Incentive and Retention Plans, approved by the shareholders at General Meetings held, respectively, on December 15, 2015 and amended on April 5, 2018, which has been, therefore, already granted to the beneficiaries.

In the table below we exemplify the estimated effect over the years of the accounting of the grants performed in 2018, 2019, and 2020 and which make up the amount of R\$19.632.037,30 (nineteen million, six hundred and thirty-two thousand, and thirty-seven Reals and thirty cents) accounted for in the fiscal year 2021:

SHARE-BASED COMPENSATION - GRANTS FROM 2018 TO 2021:

Year	2018 Granting		2019 Granting		2020 Granting		2021 Granting (proposed)		Total / year
	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	
2018	R\$ 2,330,697.71	8/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 2,330,697.71
2019	R\$ 3,641,557.17	12/36	R\$ 3,187,426.75	8/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 6,828,983.92
2020	R\$ 3,511,380.43	12/36	R\$ 4,781,140.12	12/36	R\$ 5,489,145.00	8/36	R\$ 0.00	0/36	R\$ 13,781,665.55
2021	R\$ 6,617,179.70	4/36	R\$ 4,781,140.12	12/36	R\$ 8,233,717.48	12/36	R\$ 9,931,623.00	8/36	R\$ 29,563,660.30
2022	R\$ 0.00	0/36	R\$ 1,593,713.37	4/36	R\$ 8,233,717.48	12/36	R\$ 14,897,434.50	12/36	R\$ 24,724,865.35
2023	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 2,744,572.49	4/36	R\$ 14,897,434.50	12/36	R\$ 17,642,006.99
2024	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 4,965,811.50	4/36	R\$ 4,965,811.50
Total economic par value	R\$ 16,100,815.01	36/36	R\$ 14,343,420.36	36/36	R\$ 24,701,152.45	36/36	R\$ 44,692,303.50	36/36	R\$ 94,871,879.82

Note 1: the amount of R\$6.617.179,70 (six million, six hundred and seventeen thousand, one hundred and seventy-nine Reals and seventy cents) includes the impact of withholding taxes, as a result of the estimated appreciation of approximately 214% (two hundred and fourteen percent) of the shares granted in 2018 that will be effectively delivered to the participants in 2021.

Note 2: future amounts may change according to the variation in the value of the restricted shares at the time of the effective delivery to the participants, impacting the taxes withheld, in addition to any cancellations over time.

Conclusion:

Thus, as explained in detail throughout this topic, the only three factors that determine share-based Compensation are:

- (i) the number of shares granted, and for the 2021 grants we intend to grant 60,300 (sixty thousand and three hundred) shares less than in 2020;
- (ii) the reference price of the shares granted, which corresponds to the average of the 30 trading sessions prior to the grant date, values that have been rising over the last few years, as a result of the appreciation of TOTVS's shares; and
- (iii) the stacking factor of grants over the years. In 2021 we estimate that the maximum stacking level will be reached, considering the combination of factors (i) and (ii), with the expectation that this level is maintained for the following years.

In the table below we detail items (i) and (ii) referring to each of the grants recognized in the 2021 fiscal year for the Company's Management.



SHARE-BASED COMPENSATION - GRANTS FROM 2018 TO 2021:

	2018 Grants	2019 Grants	2020 Grants	2021 Grants (proposal)
Grace period of stock	3 years			
Reference price of restricted shares	R\$10.08	R\$13.40	R\$17.00	R\$30.93 *
Net number of shares outstanding in the current fiscal year	924,564	1,118,250	1,505,520	1,444,950 **

* The reference price of the restricted shares to be allocated to the grants for the year 2021 will consider the average price of the 30 (thirty) trading sessions prior to the grant date, scheduled for May 5, 2021, as provided for in the Plan.

** The number of shares is the key factor to be considered at the time of the grant, as this has already been determined.

Note 1: Chairman of the Board of Directors eligible from 2019.

Note 2: the net number of shares outstanding in the current fiscal year already includes cancellations performed over time of the 2018 grants.

Dilution:

The accumulated net dilution of the Share-based Incentive and Retention Plan from the first grant performed in 2016 until the last grant made in 2020, considering the effect of any cancellations made over time before the end of the grace period and considering all the participants contemplated by the grants (Chairman of the Board, Statutory Board of Executive Officers, and other employees benefited), is 1.43% (one point forty-three percent), that is, an average of 0.287% (zero point two hundred and eighty-seven per percent) per year. Thus, to date, the Plan uses only 25.2% (twenty-five point two percent) of the maximum dilution allowed of 5.68% (five point sixty-eight percent) of the Company's capital stock during the effective term of the plan (10 years), even though 50% (fifty percent) of such effective term has already elapsed. We show such effect in the following tables, considering the dilution accumulated to date and the annual average as a reference:

ACCUMULATED DILUTION:

Accumulated dilution	Dilution %	# Shares	Number of years
Maximum dilution allowed by the Plan	5.68%	32,825,469	10
Current net dilution *	1.43%	8,281,278	5
% already used	25.2%	25.2%	50.0%

* refers to Restricted Shares already granted to Participants, which may be in a grace period or expired

ANNUAL AVERAGE DILUTION:

Average annual dilution as a reference	Dilution %	# Shares	Number of years
Maximum dilution allowed by the Plan	0.568%	3,282,547	10
Average annual net dilution *	0.287%	1,656,256	5
% used	50.5%	50.5%	50.0%

* refers to Restricted Shares already granted to Participants, which may be in a grace period or expired



In the table below, we show the accumulated net dilution and average annual net dilution divided between the Board of Directors, Statutory Board of Executive Officers, and other employees benefited by concessions in the Incentive and Share-based Retention Plan:

ACCUMULATED DILUTION AND ANNUAL AVERAGE, PER BODY:

Accumulated dilution *	Dilution %	# Shares	Representativeness %	Average annual dilution	Number of years
Board of Directors	0.09%	540,000	6.52%	0.047%	2
Statutory Exec. Officers	0.72%	4,129,905	49.87%	0.144%	5
Other	0.62%	3,611,373	43.61%	0.124%	5
Total	1.43%	8,281,278	100.00%	0.287%	5

* considering the granting made between 2016 and 2020

The proposed dilution for the 2021 grants follows the same level of dilution approved in the last two years for the Board of Directors and in the last three years for the Statutory Board of Executive Officers, not considering an increase for the year 2021, as shown in the table below:

ANNUAL DILUTION, PER BODY:

Net dilution of granting per year			
Year	Board of Directors	Board of Exec. Officers	Total
2018	0.00%	0.19%	0.19%
2019	0.05%	0.15%	0.20%
2020	0.05%	0.21%	0.26%
Proposed 2021	0.05%	0.20%	0.25%

Note: to date, there have been no cancellations of shares of the 2019 and 2020 grants.

It is worth noticing that there were cancellations performed over the time of the 2018 grants, and the original dilution of such year was of 0.23% (zero point twenty-three percent). And for the year 2019, the level of 0.15% (zero point fifteen percent) of dilution is explained by the smaller number of Statutory Executive Officers at that time and by the first year of the CEO, who received a smaller number of shares.

We believe that the dilution of the Share-based Incentive and Retention Plan is in line with the context of the industry in which TOTVS is inserted in Brazil, considering its size, equity structure, historical growth and future potential, financial condition, and historical payment practices for performance.

D. Global compensation of the Management members:

According to the provisions set forth in paragraphs "A", "B", and "C" above, the proposal for the global compensation amount for the Company's Management members for the fiscal year 2021 is up to R\$50,287.262,08 (fifty million, two hundred and eighty-seven thousand, two hundred and sixty-two Reals and eight cents), as shown in detail in the table and graphs below:

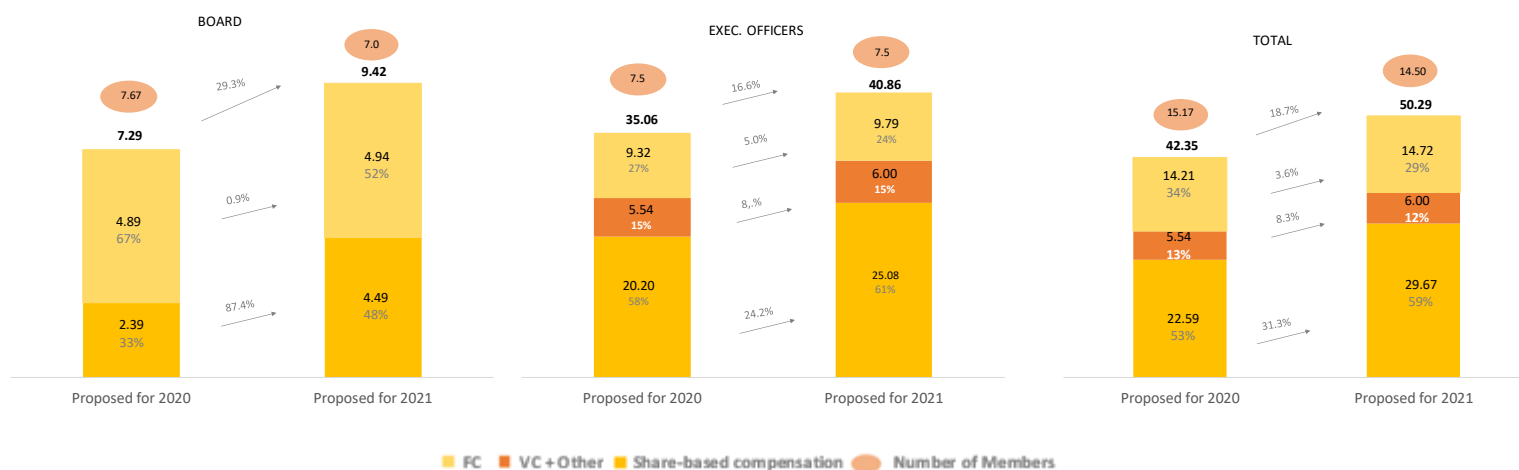


GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS:

	Proposed 2021			Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.00	7.50	14.50	7.67	7.50	15.17	7.67	7.00	14.67
Fixed annual compensation (FC)									
Salary or management fees	3,381,243.72	8,292,805.49	11,674,049.22	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	380,699.23	1,495,195.59	1,875,894.82	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,174,779.61	0.00	1,174,779.61	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
Total FC	4,936,722.57	9,788,001.08	14,724,723.65	4,892,761.84	9,320,916.10	14,213,677.94	4,832,530.35	8,710,640.76	13,543,171.11
Variable compensation (VC)									
Bonus	0.00	5,723,800.27	5,723,800.27	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
Total Fix.C. + Var.C.	4,936,722.57	15,511,801.35	20,448,523.92	4,892,761.84	14,404,651.53	19,297,413.37	4,832,530.35	12,289,714.90	17,122,245.25
Other									
Post-employment benefits	0.00	275,077.86	275,077.86	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	0.00	0.00	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
Total FC + VC + Other	0.00	5,998,878.13	5,998,878.13	0.00	5,540,710.84	5,540,710.84	0.00	3,833,153.65	3,833,153.65
Total FC + VC + Other	4,936,722.57	15,786,879.21	20,723,601.78	4,892,761.84	14,861,626.94	19,754,388.78	4,832,530.35	12,543,794.41	17,376,324.76
Share-based compensation¹									
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
Total share-based compensation	4,487,100.00	25,076,560.30	29,563,660.30	2,394,800.00	20,198,225.31	22,593,025.31	2,139,000.00	15,025,297.35	17,164,297.35
General Total	9,423,822.57	40,863,439.51	50,287,262.08	7,287,561.84	35,059,852.25	42,347,414.09	6,971,530.35	27,569,091.76	34,540,622.11

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).
Note: the amounts granted in previous years were approved by the competent bodies, in accordance with the Share-Based Incentive and Retention Plans approved by the shareholders at General Meetings held, respectively, on December 15, 2015 that was amended on April 5, 2018 and April 18, 2019, having been, therefore, already granted to the beneficiaries.

GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:



The growth of 18.75% (eighteen point seventy-five percent) of the global compensation proposed for the year 2021, in comparison with the 2020 proposal, has its greatest absolute impact on the line "accounting recognition of share-based compensation of previous years", which, by itself, showed an increase of R\$3.954.241,99 (three million, nine hundred and fifty-four thousand, two hundred and forty-one Reals and ninety-nine cents), equivalent to an increase of 25.22% (twenty-five point twenty-two percent) year-over-year, as shown in the table below:



GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS - YEAR-OVER-YEAR VARIATION:

	Proposed 2021 vs. Proposed 2020					
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	-0.67	0.00	-0.67	-8.70%	0.00%	-4.40%
Fixed annual compensation (FC)						
Salary or management fees	-70,980.28	389,235.43	318,255.15	-2.06%	4.92%	2.80%
Direct and indirect benefits	-14,859.41	77,849.56	62,990.15	-3.76%	5.49%	3.47%
Compensation for participation in Committees	129,800.41	0.00	129,800.41	12.42%	-	12.42%
Total FC	43,960.72	467,084.99	511,045.71	0.90%	5.01%	3.60%
Variable compensation (VC)						
Bonus	0.00	640,064.84	640,064.84	-	12.59%	12.59%
Total Fix.C. + Var.C.	43,960.72	1,107,149.83	1,151,110.55	0.90%	7.69%	5.97%
Other						
Post-employment benefits	0.00	-89,702.29	-89,702.29	-	-24.59%	-24.59%
Benefits for termination of tenure	0.00	-92,195.26	-92,195.26	-	-100.00%	-100.00%
Total FC + VC + Other	0.00	458,167.29	458,167.29	-	8.27%	8.27%
Total FC + VC + Other	43,960.72	925,252.28	969,213.00	0.90%	6.23%	4.91%
Share-based compensation¹						
Accounting recognition - granting in the current year	615,400.00	2,400,993.00	3,016,393.00	49.61%	42.31%	43.62%
Accounting recognition - granting in previous years	1,476,900.00	2,477,341.99	3,954,241.99	127.94%	17.06%	25.22%
Total share-based compensation	2,092,300.00	4,878,334.99	6,970,634.99	87.37%	24.15%	30.85%
General Total	2,136,260.72	5,803,587.26	7,939,847.99	29.31%	16.55%	18.75%

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

Thus, the total compensation growth for the current year (including the fixed, variable, other, and share-based compensation lines of the 2021 grant) is 14.94% (fourteen point ninety-four percent), as shown in the tables and graphs below:

GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:

	Proposed 2021			Proposed for 2020			Performed 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
Total FC + VC + Other	4,936,722.57	15,786,879.21	20,723,601.78	4,892,761.84	14,861,626.94	19,754,388.78	4,832,530.35	12,543,794.41	17,376,324.76
Share-based compensation¹									
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
Total compensation - current year	6,792,522.57	23,862,702.21	30,655,224.78	6,133,161.84	20,536,456.94	26,669,618.78	5,817,130.35	17,048,339.41	22,865,469.76
Share-based compensation¹									
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
General Total	9,423,822.57	40,863,439.51	50,287,262.08	7,287,561.84	35,059,852.25	42,347,414.09	6,971,530.35	27,569,091.76	34,540,622.11

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

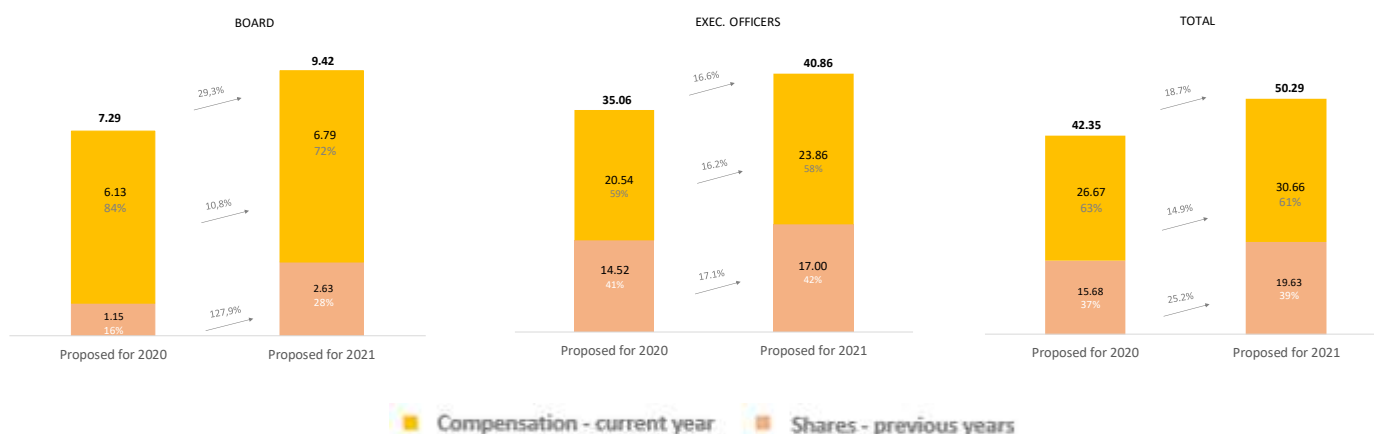


GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS - YEAR-OVER-YEAR VARIATION:

	Proposed 2021 vs. Proposed 2020					
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Total FC + VC + Other	43,960.72	925,252.28	969,213.00	0.90%	6.23%	4.91%
<i>Share-based compensation¹</i>						
Accounting recognition - granting in the current year	615,400.00	2,400,993.00	3,016,393.00	49.61%	42.31%	43.62%
Total compensation - current year	659,360.72	3,326,245.27	3,985,606.00	10.75%	16.20%	14.94%
<i>Share-based compensation¹</i>						
Accounting recognition - granting in previous years	1,476,900.00	2,477,341.99	3,954,241.99	127.94%	17.06%	25.22%
General Total	2,136,260.72	5,803,587.26	7,939,847.99	29.31%	16.55%	18.75%

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:



E. RATIO OF EACH ITEM IN THE TOTAL COMPENSATION

The increase in the ratio of variable compensation compared to fixed compensation over the years adequately aligns the compensation strategy with the purpose of boosting the Company's future performance.

BOARD OF EXECUTIVE OFFICERS

Item of Compensation	2021	2020	2019	2018
Fixed	20%	27%	29%	58%
Variable	76%	67%	60%	37%
Benefits	4%	5%	11%	5%



BOARD OF DIRECTORS

Item of Compensation	2021	2020	2019	2018
Fixed	48%	64%	82%	100%
Variable*	48%	31%	14%	-
Benefits*	4%	5%	4%	-

*Applicable to the Chairman of the Board of Directors only

F. CONCLUSION:

We are convinced that the compensation proposal for 2021 is aligned with the Company's long-term and operational performance, as shown in the tables below, with the comparison of the main growth metrics of the previous year *versus* the growth of the proposed compensation of 2021 compared to the 2020 proposal:

KEY INDICATORS AND COMPARATIVE COMPENSATION:

Index	2020	2019	Δ
Total net income *	2,596,077	2,282,124	13.8%
Recurring Revenue *	1,954,093	1,729,218	13.0%
Consolidated adjusted EBITDA *	589,717	469,742	25.5%
Adjusted and consolidated EBITDA margin	22.7%	20.6%	210 bp
Cash Profit *	337,548	268,484	25.7%
Cash Profit margin	13%	11.80%	120 bp
TOTS3 share	28.72	21.52	33.5%
Ibovespa	119,017	115,645	2.9%
IBRX50	19,566	18,882	3.6%

* (Amounts stated in 000s of Real)

Compensation	Proposed for 2021	Proposed for 2020	Δ
Total Fixed Compensation	14,724,724	14,213,678	3.6%
Total fixed + variable compensation + others	20,723,602	19,754,389	4.9%
Total compensation for current year ¹	30,655,225	26,669,619	14.9%
Share-based compensation - accounting recognition in previous years	19,632,037	15,677,795	25.2%
Total Global Compensation	50,287,262	42,347,414	18.7%
Proportion of total variable compensation over total global compensation ²	70%	60%	10 p.p.
Number of shares - 2021 granting	1,444,950	1,505,250	-4.0%
Dilution of granting in the year	0.25%	0.26%	-2.6%

¹ Fixed + variable + other compensation + share-based compensation for the current year

² Variable compensation includes bonuses + share-based compensation in the current year

All information required for carrying out a review of the compensation proposal for the Management members, as set forth by Art. 12 of CVM Instruction 481/09, is provided in **EXHIBIT IV** to this Proposal.



For the Extraordinary General Meeting:

1. Approving the Share-Based Incentive Plan

The Company's Management proposes that a new Share-Based Incentive Plan (the “New Plan”) is approved, with the purpose of (i) increasing the medium- and long-term alignment of the interests of the employees and managers of the Company and its subsidiaries that are considered eligible under each of the Programs (as defined in the Plan), excluding the members of the Company's Personnel and Compensation Committee, who may be appointed annually by such Committee to take part in the New Plan (the “Participants”) with the shareholders' interests, expanding the participants' sense of ownership and commitment through the concept of investment and risk; (ii) strengthening the incentives for the participants' long-term permanence and stability, within the context of a publicly-held company; and (iii) encouraging the increase of the Company's long-term performance, as ascertained through business indicators.

In this sense, the New Plan addresses the main opportunities to improve the share-based compensation model in order to adapt to the best market practices and international standards by: (i) changing the mechanics thereof to define the amount of shares through anchoring in market positioning, enabling the financial stability of the plan over time and constant alignment to the market of the compensation package for executives; (ii) defining a specific message per program in line with TOTVS's strategic needs, without risk of overlapping and complexity; (iii) adding a share performance program (ILP Performance), generating a better balance if compared with programs focused on retention (ILP Master and ILP Destaques); and (iv) reviewing the existing metrics in the program, encouraging the future performance of the Company in line with shareholders' expectations, while looking at the individual performance of every Executive measured through the 9Box method, as detailed in **EXHIBIT VI** to this Proposal.

The Management has as purpose to make grants under the New Plan as from 2022 and, on January 1st, 2022, the New Plan will replace the Plan currently in force, without prejudice to the Company's compliance with the remaining obligations under the grants already performed. In addition, it is worth noticing that it is proposed to approve the New Plan so that its final effective day coincides with the final effective day of the Plan currently in force and without increasing the grant limit approved for the current Plan. In other words, the grants under the New Plan will take place within the same time period and until the limit of the current Plan is reached, already considering the shares delivered within the scope of the current Plan, without any increase. As already mentioned, the Company understands that the New Plan better combines the interests of its employees, management members, and shareholders. The information required to review the proposal regarding the New Plan can be found in the draft of the Plan and in Appendix 13 of CVM Instruction 481/09, contained in **EXHIBITS V** and **VI**, respectively, to this Proposal.

2. Approving the capital stock increase by capitalizing the balance of the retained earnings reserve, without issuing new shares

Resolving on the proposal to increase the capital stock by capitalizing the retained earnings reserve, with the consequent amendment of the *caput*, Article 5 of the Company's bylaws.

In view of the investments made from 2018 to 2020, the Management hereby proposes that the capital stock be increased in the amount of R\$136,903,622.84 (one hundred and thirty-six million, nine hundred and three



thousand, six hundred and twenty-two Reals and eighty-four cents), without issuing new shares, through the capitalization of the retained earnings reserve resulting from the capital budgeting, with the consequent amendment of the caput of art. 5 of the Company's bylaws, which will become effective with the following wording:

"Article 5 - The Company's fully subscribed and paid-in capital is of R\$1,519,412,187.27 (one billion, five hundred and nineteen million, four hundred and twelve thousand, one hundred and eighty-seven Reals and twenty-seven cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares, with no par value. "

EXHIBIT VII to this Proposal contains detailed information on the proposed capital increase, pursuant to Appendix 14 of CVM Instruction 481/09.

3. Restating the Company's Bylaws

As described below, in the Bylaws, it is proposed to:

- (a) amend the *caput* of Article 5 to reflect the new amount of the Company's capital stock;
- (b) amend the *caput* of Article 6 and Paragraphs 1 and 2 to reflect the change in the limit of the authorized capital and to explain other possibilities of increasing the capital stock within the limit of the authorized capital, as detailed hereinbelow;
- (c) amend the *caput* of Article 16 to reflect the new structure of the Board of Directors, which had its maximum number of members reduced to seven;
- (d) amend Article 19, paragraphs (xv), (xvi) and (xxi), to adjust the responsibilities of the Board of Directors;
- (e) add subparagraphs (iv) and (v) to Article 22, to add the responsibilities of the Personnel and Compensation Committee into the Bylaws as provided for in the Charter of the Company's Board of Directors;
- (f) add Paragraph 3 to Article 23 to provide for the treatment to be given in case of temporary inability of the coordinator of the Company's Audit Committee;
- (g) update Article 26, *caput*, and following paragraphs to exclude the position of Chief Executive Officer and change the number of Vice-President Executives;
- (h) amend Article 37, *caput*, to create a statutory reserve;
- (i) add a new Article 55 to govern any indemnity agreements that may be executed by the Company with its management members and other employees; and
- (j) update the style of writing and the numbering of articles.

Change in the Authorized Capital Limit - Subclause 3(b)

The Management proposes to change the limit of the authorized capital from R\$2,500,000,000 (two billion and five hundred million Reals) to R\$4,000,000,000 (four billion Reals), with the consequent amendment to the caput of Article 6 of the Company's Bylaws. This amendment aims at allowing the Board of Directors to approve capital increases more quickly, with a view to perform the Company's business plan and its corporate purpose without the need of amending the bylaws. The proposed change has no other legal or economic effect.



EXHIBITS VIII and **IX** of this Proposal contain detailed information on the change in the limit of authorized capital and other suggested changes. The comparative table, changes with revision marks, their justifications, and the restated version of the Bylaws, as required by CVM Instruction 481/09, are also available in such Exhibits.

4. Restating the Company's Bylaws.

It is proposed to restate the Company's Bylaws in order to reflect the changes described in the previous resolution proposal, according to **EXHIBIT IX** to this Proposal.

5. Deliberating on the Merger Proposal of Neolog Consultoria de Sistemas S.A.

It is proposed to approve the protocol and justification for the merger (the "Merger"), by the Company, of its subsidiary Neolog Consultoria de Sistemas S.A., a corporation headquartered in the city of São Paulo, State of São Paulo (Brazil), at Avenida Engenheiro Luiz Carlos Berrini nº 1,681, 14th floor, Condomínio Edifício Berrini, CEP 04571-001, registered with Corporate Taxpayers' Roll (CNPJ/ME) under number 05.254.381/0001-59, with its articles of incorporation duly filed with JUCESP (Board of Trade of the State of São Paulo) under NIRE No. 35.300.475.224, (hereinafter referred to as "Neolog"), executed on March 12, 2021 by and between the managers of the Company and Neolog (the "Protocol and Justification"), a copy of which is attached to this Proposal as **EXHIBIT X**. The Company holds 100% of Neolog's capital stock, the results of which are already fully reflected on its financial statements. It is, therefore, a corporate restructuring to rationalize operations, optimize management and minimize expenses, without any effect on the Company's capital stock or shareholders' equity. The information required by Exhibit 20-A of CVM Instruction 481/01 can be found in **EXHIBIT XI**.

6. Ratifying the hiring of a Specialized Company

It is proposed to ratify the hiring of the specialized company APSIS Consultoria e Avaliações LTDA. (CNPJ/ME No. 08.681.365/0001-30), which, for the purposes of the provisions of Articles 227 and 8 of Law No. 6,404/76, appraised Neolog's shareholders' equity at book value on the base date of January 31, 2021, and prepared the corresponding appraisal report (the "Appraisal Report").

We provide the information required by Article 21 of CVM Instruction 481/09 in **EXHIBIT XII** to this Proposal.

7. Examining, Discussing, and Approving the Appraisal Report

It is proposed that the Appraisal Report be approved, a copy of which is contained in **EXHIBIT XIII** to this Proposal.

8. Approving the Merger of Neolog Consultoria e Sistemas S.A.

It is proposed that the Merger be approved.



Additional Information and where it can be found

The documents set forth in CVM Instruction 481/09 were submitted to CVM on the present date through the Supplementary and Periodic Information System (IPE), pursuant to Article 6 of said Instruction, and are available to the Shareholders at the headquarters of TOTVS, on its investor relations website (<http://ri.totvs.com/en>), and on the B3 (www.b3.com.br) and CVM (www.cvm.gov.br) websites. Such documents can be accessed, read and examined at the headquarters of TOTVS, and interested shareholders should schedule a date and time with the Investor Relations Department.

We hereby inform that, in compliance with the provisions of art. 9, V and sole paragraph, III, of CVM Standard 481/09, the opinion of the Audit Committee is available at the Company's headquarters, and also on its Investor Relations website (<http://ri.totvs.com>) and on the websites of B3 (www.b3.com.br) and CVM (www.cvm.gov.br).

Shareholders will be able to exercise their right to vote at a distance, by filling out a distance voting ballot regarding the Meetings as provided by the Company. Shareholders who choose to exercise their voting rights through the Distance Voting Ballot shall observe the rules and formalities provided for in the Distance Voting Ballot itself and in section 12.2 of the Company's Reference Form (Rules, policies, and practices applicable to general meetings) available on the CVM website (www.cvm.gov.br).

São Paulo, March 19, 2021.

THE MANAGEMENT



EXHIBIT I

OFFICERS' COMMENTS TO BE SUBMITTED FOR DISCUSSION AND DECIDED BY THE ANNUAL AND EXTRAORDINARY GENERAL MEETINGS TO BE HELD ON APRIL 20, 2021, AT 10:00 AM, PURSUANT TO ARTICLE 9 OF CVM INSTRUCTION 481/09

ITEM 10 OF THE REFERENCE FORM

The financial information contained in sections 10.1 to 10.9 of this Form is derived from our accounting information from the consolidated financial statements for the fiscal years ended on December 31, 2020, 2019, and 2018, prepared according to the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the *International Accounting Standards Board* (IASB).

On January 1st, 2019, the new standard that governs the accounting treatment of Leasing Operations [IFRS 16/CPC 06 (R2)] issued by IASB and CPC [Brazilian Committee of Accounting Standards], respectively, became effective. To implement such standard, the Company adopted the modified retrospective approach. As a result, the financial information as of December 31, 2018 were not adjusted to reflect the adoption of IFRS 16/CPC 06 (R2) and, therefore, cannot be compared with the financial information as of December 31, 2019 and 2020, which reflect the effects of adopting such newer standard.

In addition, effective from January 1st, 2018, the new standards that govern the accounting treatment of Revenue from Contracts with Clients (IFRS 15/CPC 47) and Financial Instruments (IFRS 9/CPC 48) issued by IASB and CPC, respectively. The Company adopted the modified retrospective approach.

The Officers' analysis clarifying the results obtained and the reasons for the fluctuation in the amounts of the Company's equity accounts constitute an opinion on the impacts or effects of the data presented in the financial statements on the Company's equity and financial situation. The Company's Board of Executive Officers cannot guarantee that the financial situation and results achieved in the past will happen again in the future.

The terms "HA" and "VA" in the columns of certain tables in item 10 generally mean "Horizontal Analysis" and "Vertical Analysis", respectively.



10.1 - General Financial and Equity Situation

a. General financial and equity situation

We present hereinbelow information about our financial and equity structure on the following dates:

(In thousands of Reals)	On December 31,		
	2020	2019	2018
Shareholders' Equity	2,604,166	2,478,409	1,288,220
Current assets	2,831,973	2,004,275	1,020,134
Net debt (Net Cash) ⁽¹⁾	326,168	(1,071,433)	50,678

(1) Net Debt is the sum of the balances of loans and financing, debentures, senior and mezzanine shares, and obligations for the acquisition of investments, both current and non-current, less the balances of cash and cash equivalents, financial investments, and investment guarantees, both current and non-current. Net debt is not a measure of financial performance recognized by accounting practices adopted in Brazil or by the *International Financial Reporting Standards - IFRS* issued by the *International Accounting Standards Board* ("IASB"), and it does not have a standard meaning. Other companies can account for their net debt differently, so it is not possible to make a comparison between disclosures.

On April 30, 2020, the Company acquired Supplier Participações SA ("Supplier"). Supplier is a company focused on B2B credit and development of solutions for the relationship between customers and suppliers. In addition, with the acquisition of Supplier the Company started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses. Supplier holds subordinated shares of a securitization fund called "Fundo de Investimento em Direitos Creditórios" (Credit Rights Investment Fund) (hereinafter referred to as "Supplier FIDC"), which buys, sells, and securitizes its own or third-party credit rights which are being consolidated in the Company's financial statements as a result of the consolidation, the obligations resulting from the senior and mezzanine shares and financial investments started to compose the Company's net debt.

On January 1st, 2019, the Company's net debt was impacted by the recognition of leasing liabilities (current and non-current) in the amount of R\$236.8 million originated from adopting the new accounting standard equivalent to IFRS 16. In addition, net cash was positively affected by the subsequent share offering made over the fiscal year 2019, which managed to raise R\$1,066.5 billion.

In 2018 the Company had a significant advance in its financial position, with an increase in operating cash flow. Thus, the net debt suffered a sharp reduction.

b. capital structure, pointing out:

The Company finances its operations through its own equity and third-party funds. The Company issues common shares only; therefore, there are no redeemable shares.

Over the last three years, we have been having a balanced capital structure between our own equity and third parties' funds, which are consistent with our activities, in the Management's view, in the proportion shown in the table below:



(in thousands of Reals, except %)	On December 31,		
	2020	2019	2018
Current Liabilities and Noncurrent Liabilities (Third-Party Funds)	2,542,240	1,057,518	1,103,057
Stockholders' equity (own equity)	2,604,166	2,478,409	1,288,220
Third-Party Funds ⁽¹⁾	49.4%	29.9%	46.1%
Net Equity ⁽²⁾	50.6%	70.1%	53.9%

(1) Third-party funds correspond to the sum of current and noncurrent liabilities divided by total liabilities and stockholders' equity.

(2) Net equity refers to the Company's Capital Stock.

c. Payment capacity as regards financial commitments undertaken

As of December 31, 2020 the Company's gross debt was R\$1,353.9 million, of which R\$1,192.7 million, or 77.8%, are in current liabilities and R\$340.5 million, or 22.2% in non-current liabilities.

The Company has been fully capable of paying its financial commitments undertaken, since its operations are cash-generating and the financing granted to clients are essentially in the short term.

Most liabilities and receivables result from sales and provision of software implementation services, which are provided in the countries where they are sold.

With the acquisition of Supplier in 2020, the Company started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses. In addition, as a result of the consolidation of Supplier FIDC, the senior and mezzanine shares are accounted for as a financial liability on the item "Senior and mezzanine shares" and make up the Company's gross debt.

The Company maintains a conservative profile of financial investment and currently has no operations in risk markets and/or derivatives.

The table below shows the key financial indicators connected to our payment capacity:

(in thousands of Reals, unless otherwise stated)	On December 31,		
	2020	2019	2018
Gross Debt ⁽¹⁾	1,533,209	466,723	503,477
Net debt (Net Cash) ⁽²⁾	326,168	(1,071,433)	50,678
Adjusted EBITDA ⁽³⁾	590,011	469,742	347,014
Debt ratio ⁽⁴⁾	0.6	-2.3	0.1
Current liquidity ratio ⁽⁵⁾	1.4	2.8	1.4
Overall liquidity ratio ⁽⁶⁾	1.3	2.2	1.2

(1) Gross Debt corresponds to the sum of the balances of loans and financing, debentures, senior and mezzanine shares, and obligations for the acquisition of investments discounted from the amount of investment guarantees, both current and non-current. Gross debt is not a measure of financial performance recognized by accounting practices adopted in Brazil or by the *International Financial Reporting Standards* - IFRS issued by the



International Accounting Standards Board ("IASB"), and it does not have a standard meaning. Other companies can account for their gross debt differently, so it is not possible to make a comparison between disclosures.

(2) Net Debt is the sum of the balances of loans and financing, debentures, senior and mezzanine shares, and obligations for the acquisition of investments discounted from the amount of investment guarantees, both current and non-current, less the balances of cash and cash equivalents, and financial investments, both current and non-current. Net debt is not a measure of financial performance recognized by accounting practices adopted in Brazil or by the *International Financial Reporting Standards* - IFRS issued by the *International Accounting Standards Board* ("IASB"), and it does not have a standard meaning. Other companies can account for their net debt differently, so it is not possible to make a comparison between disclosures.

(3) Adjusted EBITDA is a non-accounting measurement prepared by the Company that consists of EBITDA, calculated according to CVM Instruction 527, which is adjusted: by the equity method result; by the allowance for impairment of assets and other extraordinary provisions, such as for contingencies and for doubtful accounts; by the loss (gain) on the write-off of assets; by the gain from the sale of subsidiaries; extraordinary costs with personnel termination, due to the net loss of discontinued operations and the *learn-out1* adjustment at fair value. Adjusted EBITDA is not a measure recognized by the Accounting Practices Adopted in Brazil or by the *International Financial Reporting Standards* (IFRS), issued by the *International Accounting Standard Board* (IASB); they do not represent cash flow for the periods presented and should not be considered as a substitute for net profit (loss), as an indicator of operating performance or as a substitute for cash flow as an indicator of the Company's liquidity or the basis for the distribution of dividends. Adjusted EBITDA does not have a standard meaning and may not be comparable to measures with similar securities provided by other companies.

(4) The Debt Ratio corresponds to the ratio of the Net Debt at the end of the fiscal year divided by Adjusted EBITDA for the same fiscal year.

(5) The current liquidity ratio corresponds to the ratio resulting from the division of current assets by current liabilities.

(6) The general liquidity ratio corresponds to the division ratio of: (i) the result from the sum of current and non-current assets (except investment, fixed, and intangible assets); by (ii) the result of the sum of current liabilities and non-current liabilities.

2020: The Company issued simple debentures, non-convertible into shares, in the amount of R\$200 million preventively in the face of the COVID-19 pandemic, which were redeemed in advance on August 10, 2020. The increase in net debt is mainly the result of the financial liabilities of Supplier FIDC's senior and mezzanine shares. The indebtedness ratio on December 31, 2020 was 0.6 and the current liquidity ratio was 1.4, the same level as in 2018. The general liquidity ratio on December 31, 2020 closed at 1.3, demonstrating the Company's ability to comply with its long-term commitments.

2019: The Company did not contract new financing in 2019. The reduction in net debt is the result of the recognition of financial lease liabilities resulting from the adoption of the new IFRS 16/CPC 06 (R2) accounting standards, added to the raising of funds obtained in the *follow-on* carried out in May 2019, which increased the cash balance for the year. The debt ratio on December 31, 2019 was -2.3 and the current liquidity ratio was 2.8, while the general liquidity ratio went to 2.2 on December 31, 2019, showing the Company's ability to fulfill its long-term obligations.

2018: The Company did not contract any relevant new financing in 2018. The debt ratio on December 31, 2018 was 0.1 and the current liquidity ratio was 1.4, pointing out the maintenance of the Company's financial health to honor its short-term obligations.

d. sources of financing used for working capital and for investment in non-current assets

2018 to 2020: Working capital and investments in non-current assets were financed chiefly from the Company's own funds arising from operating cash generation, from debentures issued by the Company, as detailed in section 10.1.f.i, and from funds originated from a subsequent issue of shares performed in May 2019.



e. financing sources for working capital and investments in non-current assets intended to be used to cover liquidity deficiencies

For now, the Company understands that it has no liquidity deficiencies. If there is a need to seek financing sources for working capital or non-current assets, the Company may: (i) seek lines of loans and financing with private banks, or (ii) issue debt securities, such as debentures for example.

It is also worth mentioning that the Company, despite understanding that it does not have any liquidity deficiencies, has pre-approved lines with private banks that can be accessed in the very short term.

f. levels of indebtedness and characteristics of such debts, also describing:

(i) relevant loan and financing agreements

The loans and financing taken by the Company, as well as the balance of each one at the end of every period, are shown in the table below:

(in thousands of Reals, unless otherwise stated)	Financial charges	On December 31,		
		2020	2019	2018
Financial leasing	5.53% to 17.24%	223,525	241,340	42,189
BNDES PROSOFT	TJLP + 1.5% to 1.52% pa	-	3,232	137,940
BNDES PSI	3.5% to 4.0% pa	-	2,227	18,224
BNDES Innovation	TJLP + 0.52% pa	-	888	2,404
BNDES Social	TJLP pa	-	-	714
Working capital	CDI + 1.9% pa	100,740	-	-
Secured and other accounts		785	16	-
Loans and Finance		325,050	247,703	201,471
Current Liabilities		146,806	55,623	166,154
Noncurrent Liabilities		178,244	192,080	35,317

(in thousands of Reals, except as otherwise stated)				On December 31,		
Issuance	Debentures	Annual financial charges	Unit price in Real	2020	2019	2018
Single series	200,000	105.95% of CDI rate	1.00	-	202,973	203,431
Premium for non-conversion of 2008 debentures				-	-	73,757
Total				-	202,973	277,188
Current liabilities				-	202,973	77,319
Non-current liabilities				-	-	199,869



The amounts of loans and financing and debentures recorded in non-current liabilities at the end of each period have the following maturity schedule:

(In thousands of Reals)	On December 31,		
	2020	2019	2018
2020	-	-	219,452
2021	-	192,080	15,734
2022	(41,761)	-	-
2023	37,895	-	-
2024	33,751	-	-
2025 onward	64,837	-	-
Loans and financing and debentures (non-current liabilities)	178,244	192,080	235,186

Finance leasing: The Company and its subsidiaries have several finance lease agreements with contracted terms varying between 3 and 10 years connected to the purchase of electronic equipment, rents, and facilities of the Company's units with interest rates between 5.53% to 17.24% for rented equipment and vehicles, and 7.78% to 10.16% for property lease agreements.

BNDES - National Bank for Economic and Social Development of Brazil: on September 13, 2013, the Board of Directors approved a loan from BNDES in the amount of R\$ 658.5 million with a 72-month amortization period, including a 24-month grace period on the principal amount; such loan was released upon proof of investments actually made, and divided into three subcredits:

- Subcredit "A" in the amount of R\$ 596.8 million, which will bear interests of 1.5% per year above the TJLP - Long-Term Interest Rate, to be used between years 2013 and 2015 to promote a qualitative evolution of solutions offered by the Company, under the BNDES PROSOFT Program;
- Subcredit "B" in the amount of R\$ 58.5 million, which will bear interests of 3.5% per year, to be used in to develop its platform known as "fluig", within the scope of the BNDES Investment Support Program - PSI, a Subprogram known as Innovation and Efficient Machines and Equipment;
- Subcredit "C" in the amount of R\$ 3.3 million, on which the Long-Term Interest Rate (TJLP) will apply, to be invested in social projects to be carried out by the Company.

The credit facilities with the BNDES described above were settled in 2019.

The corporation TOTVS Large (formerly known as Bematech S.A.), a subsidiary of the Company, have also taken loans with BNDES, such as BNDES PROSOFT, BNDES Inovação, BNDES EXIM, BNDES Internacionalização, and Finame (the latter two were already paid off) in the total amount of R\$ 76.8 million. On October 23, 2015, BNDES gave its consent for the Company to be added as a guarantor of such loan agreements. In addition, the loan and financing agreements contracted with BNDES by TOTVS Large are not guaranteed. This credit facility was settled in 2020.



2020 Working Capital: On October 21, 2020, the subsidiary Supplier Administradora raised R\$100 million for working capital with Banco ABC Brasil due on July 20, 2021. The contracted amount will be subject to 100% of the CDI rate, plus a rate of 1.9% per year based on 360 days.

TOTVS 2017 debentures, settled in 2020: on September 6, 2017 the Company issued unsecured, simple debentures, not convertible into shares, in a single series, the placement of which was made through a public offering with restricted distribution efforts, in the total amount of R\$200 million. The funds raised were fully used for working capital, investments within the scope of the Company's corporate purpose and/or prepayment of debts.

The book value of the debentures was subject to remuneration interest corresponding to 105.95% of the accumulated variation of the average daily rates of DI (Interbank Deposits) with semiannual maturities. The debentures matured on September 15, 2020 and were settled in the amount of R\$202,838.

Debentures issued in 2020: on April 22, 2020, the Company approved the issuance of unsecured, simple debentures, not convertible into shares, in a single series, which will be publicly distributed with restricted distribution efforts in the total amount of R\$200,000, with a face value per unit of R\$1,000 (one thousand Reais). The face value per unit will bear interests corresponding to 100.0% of the accumulated variation of the average daily rates of the DI (Interbank Deposits), based on 252 business days, plus a spread equal to 2.65% per year. On August 10, 2020, the Company redeemed all debentures in the amount of R\$203,219.

The debentures would mature on April 22, 2021, and the optional early redemption occurred, under the terms of the 2nd Issue, upon payment of the debit balance of the face value per unit and compensatory interest rate corresponding to 100.0% of the accumulated variation of the daily average rates of DI (Interbank Deposits), based on 252 working days, plus a spread equivalent to 2.65% per year calculated *pro rata temporis* from the date of payment of the debentures up to the date of the effective payment, plus a premium corresponding to 0.10%.

Premium for non-conversion of the 2008 debentures: on August 19, 2008, the shareholders approved a fundraising of R\$ 200 million through the issue of up to 100,000 ("Units"), represented by certificates of deposit of securities, composed of two non-detachable debentures, one of them being a convertible 1st series debenture and the other being a convertible 2nd series debenture. The total amount of principal and interests had its amortization completed in 2016. The non-conversion premium for the 1st series debentures was updated by the IPC-A rate, increased by 8.0% per year, while the 2nd series premium was adjusted by the TJLP rate plus 5.0% per year.

None of the debenture holders chose to receive common shares, and the non-conversion premium was paid on August 19, 2019 in cash.

(ii) other long-term relationships with financial entities

The Company has no other relevant long-term relationships with financial entities other than those described in section 10.f.i.



(iii) degree of subordination among debts

The debts with the BNDES had letters of guarantee from other banks, and leasing contracts have collateral for leased assets. The Company's other debts are unsecured, so there is no degree of subordination between them.

(iv) any restrictions imposed on the issuer, particularly regarding limits of indebtedness and contracting of new debts, distribution of dividends, disposal of assets, issue of new securities, and the disposal of controlling interest

Working Capital 2020: The Supplier Administradora contract that raised R\$100 million for working capital with Banco ABC Brasil due on July 20, 2021 has an early maturity clause in the event of default, bankruptcy or title protest with over R\$10 million, in addition to other provisions set forth in the contract.

There are no other open restrictions as of December 31, 2020, since the loans raised with BNDES and the issuance of Debentures were settled as mentioned in section f (i).

g. limits for using those financing already contracted

The limits of all financing taken from BNDES have already been fully used.

h. significant changes in each topic of the financial statements



CONSOLIDATED BALANCE SHEETS (in thousands of R\$)

	On December 31,			Vertical analysis			Horizontal analysis	
	2020	2019	2018	2020	2019	2018	20 vs. 19	19 vs. 18
Current Assets								
Cash and Cash Equivalents	1,027,733	1,538,156	452,799	20.0%	43.5%	18.9%	-33.2%	239.7%
Financial Investments	179,308	-	-	3.5%			0.0%	
Investment guarantees	10,012	25,278	44,909	0.2%	0.7%	1.9%	-.60,4%	-43.7%
Accounts receivable from clients	1,633,474	453,118	504,056	31.7%	12.8%	21.1%	260.5%	-10.1%
Allowance for expected loss	(136,245)	(102,123)	(118,518)	-2.6%	-2.9%	-5.0%	33.4%	-13.8%
Inventory	-	-	41,531	0.0%	0.0%	1.7%	0.0%	-100.0%
Recoverable taxes	38,092	29,662	38,817	0.7%	0.8%	1.6%	28.4%	-23.6%
Other current assets	79,599	60,184	56,540	1.5%	1.7%	2.4%	32.3%	6.4%
Total Current Assets	2,831,973	2,004,275	1,020,134	55.0%	56.7%	42.7%	41.3%	96.5%
Noncurrent Assets								
Investment guarantees	1,116	1,987	5,334	0.0%	0.1%	0.2%	-.43,8%	-62.7%
Financial assets	92,770	71,955	69,171	1.8%	2.0%	2.9%	28.9%	4.0%
Accounts receivable from clients	64,012	31,627	19,890	1.2%	0.9%	0.8%	102.4%	59.0%
Recoverable taxes	-	-	236	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred Income Tax and Social Contribution	100,535	100,380	125,124	2.0%			0.2%	-19.8%
Escrow deposits with courts of law	43,972	65,059	65,965	0.9%	2.8%	5.2%	-32.4%	-1.4%
Other assets	57,928	57,395	26,340		1.8%	2.8%		
Investments	3,476	3,120	3,129	1.1%	1.6%	1.1%	0.9%	117.9%
Fixed Assets	364,447	389,432	198,826	0.1%	0.1%	0.1%	11.4%	-0.3%
Intangible assets	1,586,177	810,697	857,128	7.1%	11.0%	8.3%	-6.4%	95.9%
Total Non-Current Assets	2,314,433	1,531,652	1,371,143	45.0%	43.3%	57.3%	51.1%	11.7%
Total Assets	5,146,406	3,535,927	2,391,277	100.0%	100.0%	100.0%	45.5%	47.9%



CONSOLIDATED BALANCE SHEETS (in thousands of R\$)

	On December 31,			Vertical analysis			Horizontal analysis	
	2020	2019	2018	2020	2019	2018	20 vs. 19	19 vs. 18
Current Liabilities								
Social and labor obligations	211,603	193,472	174,874	4.1%	5.5%	7.3%	9.4%	10.6%
Suppliers	99,305	63,821	113,907	1.9%	1.8%	4.8%	55.6%	-44.0%
Tax obligations	74,558	55,203	47,466	1.4%	1.6%	2.0%	35.1%	16.3%
Loans and financing	146,806	55,623	166,154	2.9%	1.6%	6.9%	163.9%	-66.5%
Debentures	-	202,973	77,319	0.0%	5.7%	3.2%	-100.0%	162.5%
Payable commissions	53,795	46,035	43,166	1.0%	1.3%	1.8%	16.9%	6.6%
Dividends and interest on net equity payable	57,687	44,579	13,902	1.1%	1.3%	0.6%	29.4%	220.7%
Investment acquisition obligations	44,781	32,554	59,597	0.9%	0.9%	2.5%	37.6%	-45.4%
Transfer to partners	328,817	-	-	6.4%			0.0%	
Senior and mezzanine shares	1,011,087	-	-	19.6%			0.0%	
Other liabilities	11,592	11,292	13,227	0.2%	0.3%	0.6%	2.7%	-14.6%
Total Current Liabilities	2,040,031	705,552	709,612	39.6%	20.0%	29.7%	189.1%	-0.6%
Noncurrent Liabilities								
Loans and financing	178,244	192,080	35,317	3.5%	5.4%	1.5%	-7.2%	443.9%
Debentures	-	-	199,869	0.0%	0.0%	8.4%	0.0%	0.0%
Allowance for contingencies	125,818	131,521	127,792	2.4%	3.7%	5.3%	-4.3%	2.9%
Investment acquisition obligations	163,419	10,758	15,464	3.2%	0.3%	0.6%	1419.0%	-30.4%
Other liabilities	34,728	17,607	15,003	0.7%	0.5%	0.6%	97.2%	17.4%
Total long-term liabilities	502,209	351,966	393,445	9.8%	10.0%	16.5%	42.7%	-10.5%
Shareholders' equity								
Capital stock	1,382,509	1,382,509	1,041,229	26.9%	39.1%	43.5%	0.0%	32.8%
Treasury shares	(148,537)	(62,531)	(70,026)	-2.9%	-1.8%	-2.9%	137.5%	-10.7%
Capital reserve	894,824	875,979	169,907	17.4%	24.8%	7.1%	2.2%	415.6%
Other comprehensive income	42,541	22,051	20,704	0.8%	0.6%	0.9%	92.9%	6.5%
Retained Earnings	381,869	234,389	125,228	7.4%	6.6%	5.2%	62.9%	87.2%
Proposed additional dividends	50,960	24,817	-	1.0%	0.7%	0.0%	105.3%	0.0%
Non-controlling shareholders' equity	-	1,195	1,178	0.0%	0.0%	0.0%	-100.0%	1.4%
Total shareholders' equity	2,604,166	2,478,409	1,288,220	50.6%	70.1%	53.9%	5.1%	92.4%
Total Liabilities	5,146,406	3,535,927	2,391,277	100.0%	100.0%	100.0%	45.5%	47.9%



Comments regarding the Company's consolidated balance sheet as of December 31, 2020 and 2019:

Current Assets: it represented 55.0% of Total Assets on December 31, 2020, an increase of 41.3% compared with December 31, 2019, mainly impacted by the 260.5% growth in Accounts receivable from customers if compared with 2019, which resulted from the consolidation of credit rights in the operation of credit products resulting from the acquisition of Supplier, which represented R\$1,172.2 million or 71.8% of the Company's consolidated accounts receivable on December 31, 2020.

Noncurrent Assets: The 51.1% increase in noncurrent assets is due to the 95.7% increase in intangible assets, as a result of the acquisitions of equity interests of Consinco S.A., Supplier Participações, Wealth Systems, and Tail Target over the fiscal year 2020. These business combinations generated a goodwill of R\$479.9 million and intangibles by allocating the price paid in the amount of R\$347.7 million.

Current Liabilities: The 189.1% increase in current liabilities as of December 31, 2020 is mainly due to the consolidation of financial liabilities related to "Senior and mezzanine shares" in the amount of R\$1,011.1 million and "Transfer to partners" in the amount of R\$328.8 million resulting from the acquisition of Supplier Participações on April 30, 2020.

Noncurrent Liabilities: the 42.7% increase in noncurrent liabilities is explained by the increase of R\$152.7 million in the line of liabilities for investment acquisition originated from the acquisitions of Consinco S.A., Supplier Participações, Wealth Systems, and Tail Target.

Shareholders' Equity: Shareholders' equity remained in line year-over-year. It is worth highlighting the repurchase of 5,100,900 shares issued by the Company to face the share-based Incentive and Retention Plan.

Comments regarding the Company's consolidated balance sheet as of December 31, 2019 and 2018:

Current Assets: it represented 56.7% of Total Assets on December 31, 2019, an increase of 96.5% over December 31, 2018, impacted particularly by the 239.7% growth in Cash and cash equivalents when compared to 2018, resulting from the fundraising on the *follow-on*, which occurred in May 2019.

Non-current assets: even with the 12.1% increase in non-current assets, impacted mainly by the increase in fixed assets due to IFRS 16, non-current assets increased from 57.3% of total assets on December 31, 2018 to 43.3% on December 31, 2019, due to the significant increase in current assets resulting from the fundraising on the *follow-on* as mentioned above.

Current Liabilities: the 0.6% reduction in Current Liabilities, which went from 29.7% of Total Liabilities on December 31, 2018 to 20.0% on December 31, 2019, is the result of the payment of obligations by the acquisition of investments and a lower volume of suppliers, offset by the transfer of the balance of Debentures from non-current liabilities to current liabilities, taking into account their maturity within 12 months.



Non-current liabilities: the 10.5% reduction in non-current liabilities, which went from 16.5% on December 31, 2018 to 10.0%, on December 31, 2019 is explained especially by the payment of obligations for acquisition of investment and transfer of debentures for the short term, offset by the recognition of the liability for leasing arising from the adoption of accounting standard CPC 06 (R2). This accounting standard sets forth a new accounting model for leasing, since, on the date the lease starts, the lessee recognizes a lease liability to make payments (increasing the gross debt) and an asset representing the right to use the underlying asset during the leasing term.

Shareholders' Equity: the growth of 92.4% in Shareholders' Equity is a consequence of fundraising on the *follow-on*, in addition to the net income ascertained in the fiscal year 2019.

INCOME STATEMENT

We present below the key income descriptions:

- **Net Revenue**: revenue is recognized when there is an agreement with the client, performance obligations are identified, the transaction price is measurable and reliably allocated, and when control of goods or services is transferred to the client. Revenues are shown net of taxes, returns, rebates, and discounts, when applicable. The Company and its subsidiaries separate revenue into recurring revenue, non-recurring revenue, and revenue from credit products - as follows:

Recurring revenue from software

Recurring revenue from software comprises: (i) software subscription, in which clients and customers have access to the software on multiple devices simultaneously in its most recent version; (ii) maintenance, including technical support and technology evolution; and (iii) services, including cloud computing and customer service. All of these services are sold separately.

Recurring revenue from software is recognized on a monthly basis in the income statement over time, as the services are provided, from the date the services and software are made available to the customer and all other revenue recognition criteria are met.

Non-recurring revenue from software

Non-recurring revenue from software comprises: (i) license fees, which transfer to the customer the right to use the software for an indefinite period of time; and (ii) software implementation and customization services, consulting and training services.

(i) A license fee is recognized at a given time when all risks and benefits connected to such license are transferred to the buyer upon the availability of the software and the amount can be measured reliably, as well as it is probable that the economic benefits will be generated in favor of the Company.



(ii) Revenues from implementation and customization services represent a performance obligation different from other services and are billed separately and recognized over time as costs are incurred connected to the total expected costs, performed according to the schedule of performance and when there is a valid expectation of being received from customers. Billed revenues that do not meet the recognition criteria, do not comprise the balances of the corresponding revenue accounts and accounts receivable. Revenues from consulting and training services are recognized when the services are provided.

Revenue from credit products

Revenues from credit products are recognized as described below:

- (i) Factoring of receivables is recognized at the time they are factored, when the risks and benefits are transferred to Supplier Administradora.
- (ii) Management fees are recognized at the amount of the consideration received or receivable, being recognized at the time of service provision. The transaction price is determined individually for every partner according to the agreement executed between the parties.

Revenues are subject to the following taxes and contributions, at the following basic rates:

- Software revenues are subject to rates of 0.65% for PIS and 3.0% for COFINS. We adopt the non-cumulative regime for some revenues, being possible to discount credits earned on purchases and other expenses, which include the rates of 1.5% for PIS and 7.6% for COFINS;
- Tax on services (ISS) at rates ranging from 2% to 5%;
- Social Security Contribution on Gross Revenue (CPRB) of 4.5% for software revenues.
- **Software costs:** software costs are composed especially of salaries for consulting and support personnel and include costs of acquiring a database and the price of licenses paid to third parties in case of software bought from third parties and resold to clients.
- **Costs of Credit Products:** costs of credit products are mainly composed of remuneration for senior and mezzanine shareholders and cost of raising credit rights.
- **Research and development:** Research and development expenses incurred by the software development area connected to new products or technology innovations of existing software, which do not meet the capitalization criteria, are recorded as expenses for the fiscal year in which they are incurred and are shown separately from sales costs as operating expenses. In addition, the Company capitalizes development expenses, provided that the criteria of CPC 04 (R1)/ IAS 38 are met.
- **Sales and Marketing:** sales expenses correspond to personnel expenses at the company's own units and expenses with commission paid to the Company's franchise network. The vast majority of marketing expenses correspond to the disclosure of the Company's brand.



- **General and Administrative Expenses:** general and administrative expenses are incurred in the management and support of operational activities. The Company's main general and administrative expenses are personnel costs and allowance for contingencies.
- **Financial Result:** the financial result is the difference between financial income and expenses. The key groups that make up the financial result are interest on loans and financing, and income from financial investments.
- **Current and Deferred Income Tax and Social Contribution:** the allowance for income tax and social contribution is connected to the taxable income for the fiscal years, with retail rates of 25% for IRPJ (companies' income tax) and 9% for CSLL (social contribution on net profit). The Company's effective rate is composed of current and deferred income tax and social contribution according to the best accounting practices.



COMPARISON BETWEEN THE FISCAL YEARS ENDED ON DECEMBER 31, 2020, 2019, AND 2018

	Fiscal year ended on December 31,			Vertical analysis			Horizontal analysis	
(in thousands of R\$)	2020	2019	2018	2020	2019	2018	20 vs. 19	19 vs. 18
Net revenue from software	2,467,959	2,282,124	2,111,160	95.1%	100.0%	100.0%	8.1%	8.1%
Net revenue from credit products	128,118	-	-	4.9%	-	-	100.00%	-
Net Income	2,596,077	2,282,124	2,111,160	100.0%	100.0%	100.0%	13.8%	8.1%
Cost of software	(734,770)	(743,855)	(739,210)	-28.3%	-32.6%	-35.0%	-1.22%	0.6%
Cost of credit products	(41,934)	-	-	-1.6%	-	-	100.00%	-
Gross profit	1,819,373	1,538,269	1,371,950	70.1%	67.4%	65.0%	18.27%	12.1%
Operating revenues (expenses)								
Research and development	(431,348)	(397,824)	(382,078)	-16.6%	-17.4%	-18.1%	8.4%	4.1%
Selling and marketing expenses	(474,373)	(423,997)	(386,150)	-18.3%	-18.6%	-18.3%	11.9%	9.8%
General and administrative expenses	(299,990)	(239,791)	(228,165)	-11.6%	-10.5%	-10.8%	25.1%	5.1%
Depreciation and amortization	(204,587)	(147,033)	(122,291)	-7.9%	-6.4%	-5.8%	39.1%	20.2%
Allowance for expected loss	(43,856)	(28,434)	(36,992)	-1.7%	-1.2%	-1.8%	54.2%	-23.1%
Other revenues (expenses)	28,613	24,262	9,381	1.1%	1.1%	0.4%	17.9%	158.6%
Operating profit before financial effects and equity method	393,832	325,452	225,655	15.2%	14.3%	10.7%	21.0%	44.2%
Financial Income								
Financial revenues	47,344	69,312	37,895	1.8%	3.0%	1.8%	-31.7%	82.9%
Financial expenses	(58,878)	(70,489)	(78,357)	-2.3%	-3.1%	-3.7%	-16.6%	-10.0%
Result of equity method	(294)	(248)	(517)	-	-	-	18.5%	-52.0%
Profit before taxes	382,104	324,027	184,676	14.7%	14.2%	8.7%	17.9%	75.5%
Income tax and social contribution	(86,068)	(70,111)	(46,941)	-3.3%	-3.1%	-2.2%	22.8%	49.4%
Net profit (loss) from continuing operations	296,036	253,916	137,735	11.4%	11.1%	6.5%	16.6%	84.4%
Net profit (loss) from discontinued operation	(1,077)	(43,268)	(77,092)	0.0%	-1.9%	-3.7%	-97.5%	0.0%
Net profit in the fiscal year	294,959	210,648	60,643	11.4%	9.2%	2.9%	40.0%	247.4%



Comments regarding the Company's consolidated financial and operating performance between the fiscal years ended on December 31, 2020 and 2019:

Net Income

In the annual comparison, Net Revenue continued its accelerating trend, growing 13.8% in the comparison between 2020 and 2019. This growth was driven by the better performance of recurring revenue from software, which increased R\$224.9 million or 13.0% year over year, the main reasons for that are: (i) the growth in sales, net of 2churn2, especially in the SaaS model, which represented 65% of new sales in Q4/20; (ii) the high Renewal Rate of clients/customers during the year (above 98.5%); (iii) the adjustments for inflation of contracts with inflation rates higher than those applied in the same period of 2019; and (iv) the consolidation of Consinco's and Wealth Systems' results. As a highlight of the fiscal year 2020, we emphasize the acceleration of cloud sales, the revenue of which grew 27% in the year, in addition to the revenue from credit products of the Supplier group.

Costs

The Company's cost for the fiscal year ended on December 31, 2020 totaled R\$776.7 million, an increase of 4.4% compared with 2019. Disregarding the growth from Supplier (which is inorganic), TOTVS continued to improve its operational efficiency, making use of the remote working model to gain more productivity. Technology Costs decreased 1.2% year-over-year in fiscal year 2020. The drop in Non-Recurring Revenue from Services (as this revenue line has a lower margin level), the exponential increase in remote deployment, which reached a level close to 90%, in addition to the greater share of recurring revenues from sales of cloud solutions are some of the factors that have ensured the maximization of software cost efficiency.

As of April 30, 2020, the Company started to consolidate costs of credit products as a result of the acquisition of Supplier, and in 2019 such costs were not reflected on the financial statements.

Expenses

- **Research and Development** - Accumulated results in 2020 show that Research and Development (R&D) expenses represented 22.1% of Recurring Revenue, compared to 23.0% in 2019, confirming the gain in scale and efficiency, as a result of the increasingly intense use of insights generated by the telemetry analysis of our solutions, which enables a quick reallocation of resources to take advantage of opportunities and continuous investment in innovation, breadth, quality, and digitalization of our portfolio. In this context, some of the projects developed over 2020, with clear prospects of return in the medium/long term, met the capitalization criteria and totaled R\$18.9 million.
- **Sales and Marketing Expenses** - In the annual comparison, Sales and Marketing Expenses grew 20 basis points when comparing 2020 versus 2019, going from 18.6% to 18.8% of Net Revenue from Software. This growth is the result: (i) of the increase in the share of franchises in the total sales mix; (ii) of the consolidation of Consinco and Wealth Systems' results in the amount of R\$8.3 million over the year.
- **General and Administrative Expenses and Provision for Contingencies** - In 2020, the greater representation of this group of expenses, which went from 10.2% in 2019 to 11.6% of Net Revenue, was due to the combination: (i) of the increase in the provision for bonuses and long-term incentive plan (ILP); and (ii) of the consolidation of the results of Consinco, Wealth Systems, and Supplier in the amount of R\$45.3 million.



- **Depreciation and Amortization Expenses** - Depreciation expenses grew 8.9% when compared with the fiscal year 2019. This increase is explained by: (i) consolidation of Consinco, Wealth Systems, and Supplier results; (ii) greater depreciation with electronic processing equipment, due to the increase in installed capacity. Amortization expenses also increased year-over-year due to the beginning of the amortization of intangible assets arising from the acquisitions of Consinco, Wealth Systems, and Supplier, and by the increase in amortization of the right of use properties due to contractual updates.
- **Provision for Expected Loss** - In the result for the year, the Provision for Expected Loss (former PCLD) represented 1.7% of Net Revenue, versus the 1.2% earned in 2019. In the Technology segment, this increase was a reflection of the increase in the average term of the receivables portfolio, whether due to the business practices adopted that extended the average term of securities due, or due to the volume of securities due, especially in sectors most impacted by the Covid-19 pandemic throughout 2020. For the Credit Products segment we can see that the portfolio loss rate is still below the historic low average of this indicator in the period, which reinforces the flexibility and resilience of Supplier's business model, besides its efficient management in granting credit.
- **Other Operating Income (Expenses)** - In the year-over-year comparison, Other operating income (expenses) grew by 17.9%. In 2020, this line was impacted by the reversal of obligations for investment acquisitions as a result of the annual review and update of the earn-out amounts of M&A transactions in the amount of R\$ 25.5 million versus the impacts of 2019 by the reversal of the earn-out provision of R\$3.7 million connected to the acquisition of equity interest in RJ Participações, in addition to the positive effect of R\$11.7 million from the sale of Ciashop to VTex.
- **Financial Result** - In the year-over-year comparison, the main items that affected the Financial Result were: (i) reduction in the average cash invested, as a result of the acquisitions made over 2020, together with the reduction in the Selic rate; and (ii) reduction, in Q4/20, of the adjustment to present value arising from the *earn-out* of acquisitions.
- **Income Tax and Social Contribution** - Regarding R&D projects, the tax benefit on expenses incurred in the subsequent issue of shares (follow-on) in 2019 increased the Total Effective Rate by 90 basis points.

Net profit from continuing operations

The net income from the Company's continued operation for the year ended December 31, 2020 totaled R\$296 million, an increase of R\$42.1 million, or 16.6% if compared with 2019. In general, the increase in net income from continuing operations is the result of the increase in Recurring Revenue from Technology, the consolidation of Consinco, Wealth System, and Supplier results, and discipline in the management of the Company's costs and expenses.

Net loss from discontinued operation

The Net Loss of the Company's discontinued operation in fiscal year 2020 totaled R\$1.1 million and refers to the amounts for the closure of the Bematech Asia operations.



Comments regarding the Company's consolidated financial and operating performance between the fiscal years ended on December 31, 2019 and 2018:

Net Income

The Company's Net Income, which comprises net revenue from software, totaled R\$2,282.1 billion in the fiscal year ended on December 31, 2019, which is an increase of R\$170.9 million, or 8.1% when compared to the previous fiscal year. Such growth is mainly due to the acceleration of Recurring Revenue, which grew 2 digits in all quarters of 2019, closing the year with an increase of 11.8% compared to 2018 and reaching a share of 75.3% in the Net revenue of the fiscal year.

Costs

The Company's cost of software for the fiscal year ended on December 31, 2019 was of R\$ 743.9 million, an increase of R\$ 4.6 million, or 0.6% compared to 2018. The evolution of Net Revenue and the maintenance of cost levels caused the Gross Margin to expand by 240 base points, reaching 67.4%.

Expenses

- **Research and Development** - This entry reflects especially the greater efficiency in the allocation of investments in R&D and the higher level of investments made in 2018 related to changes in the tax laws of that period. This gain in efficiency in distributing investments can be seen in the annual comparison, as such these expenses dropped from 18.1% in the 2018 Net Revenue to 17.4% in the 2019 Net Revenue. Such reduction is even more relevant when considering: (i) the higher level of bonus allowance due to targets achieved in the fiscal year; (ii) the increased allowance of Long-Term Incentive Plan (ILP) based on shares; (iii) the establishment of the Techfin team.
- **Sales and Marketing Expenses** - Comparing 2019 vs. 2018, the increase of this entry over Revenue was only of 30 base points, reaching 18.6% of Net Revenue, mainly due to: (i) the increase in sales volume through franchises; (ii) the impact of R\$ 2.1 million in expenses with terminations due to the adjustments in the sales team, on an extraordinary basis, even with the increase in the allowance for long-term incentive plan (ILP) that took place this year.
- **General and Administrative Expenses and Allowance for Contingencies** - In 2019, as a percentage of Revenue, these expenses decreased by 40 base points compared to 2018 figures, negatively impacted by: (i) R\$ 2 million in expenses with M&As in the period; (ii) R\$1.6 million of extraordinary expenses with personnel termination; (iii) increase in the allowance for bonuses; and (iv) allowance to grant shares carried out in Q2 2019, according to the Long-Term Incentive Plan (ILP).
- **Depreciation and Amortization Expenses** - Depreciation expenses grew 84.0% compared to 2018, mainly due to the impact of the application of IFRS 16 in the period. On the other hand, amortization expenses decreased in the annual comparison due to the end of assets amortization arising from acquisitions made in previous years.
- **Provision for Expected Loss** - In the annual comparison, it decreased by 23.1% compared with 2018, reaching 1.2% of Revenue. Such decreased levels in this allowance result from the reduction in *churn* and



the general level of default in our customer base, which in part can also be regarded to the increased share of recurring sales in the Company's Revenue.

- **Other Operating Income (Expenses)** - This topic was impacted in 2019 by the reversal of the earn-out allowance by R\$3.7 million, bound to the acquisition of share interest in the company RJ Participações, in addition to the positive effect of R\$11.7 million from the sale of CiaShop to VTEX.
- **Financial Result** - The Financial Result in 2019 was mostly impacted by: (i) the increase in Financial Revenue resulting from the investment of funds from the *follow-on* and cash generation; and (ii) reduction in gross debt, partially offset by financial expenses resulting from the application of IFRS 16 on lease agreements maintained by the Company.
- **Income Tax and Social Contribution** - In the annual comparison, the higher volume of Interest on Net Equity, together with expenses with the issue of shares, led to a total effective rate 380 base points lower than that ascertained in 2018.

The **Net Profit from the Company's continued operation** for the fiscal year ended on December 31, 2019 totaled R\$253.9 million, which is an increase of R\$116.2 million, or 84.4% compared to 2018, which totaled R\$137.7 million. In general, such increase reflects the better performance of operations as detailed in the previous topics.

Net loss from discontinued operation

The Net Loss from the Company's discontinued operation of fiscal year 2019 totaled R\$43.3 million, which is an improvement of R\$33.8 million over 2018, which totaled R\$ 77.1 million. The main impact arises from the allowance for recoverable amounts from the sale of assets from hardware operations in the amount of R\$48.8 million, or R\$32.2 million net of taxes.



CASH FLOW STATEMENTS

The table below shows information extracted from the Company's Cash Flow Statements for fiscal years ended on December 31, 2020, 2019, and 2018. This table shows the key items that impacted the corresponding activities and, therefore, the Company's cash and cash equivalents.

COMPARISON BETWEEN CASH FLOWS FOR FISCAL YEARS ENDED ON DECEMBER 31, 2020 AND 2019

(In thousands of Reals)	Fiscal year ended on December 31, 2020	Fiscal year ended on December 31, 2019	HA (%)
Net cash generated from operating activities	371,742	345,299	7.7%
Net cash used in investment activities	(355,761)	(36,881)	864.6%
Net cash used in financing activities	(526,404)	776,939	-167.8%
Increase (Decrease) in cash and cash equivalents	(510,423)	1,085,357	-147.0%

Analysis of the main variations referring to the fiscal year ended on December 31, 2020 compared to the fiscal year ended on December 31, 2019

Cash generated from operating activities for the year ended December 31, 2020 was R\$371.7 million, showing an increase of R\$26.4 million, or 7.7% compared with 2019, due to the increase in net income adjustments for items that do not affect cash of R\$128.8 million and for the lower volume of interest paid in 2020, especially for the payment of the non-conversion premium of debentures. Such effects, which increased the cash generated from operating activities, were partially offset by the increase in the credit rights of Supplier Participações.

Cash invested in investment activities for the year ended December 31, 2020 was R\$355.8 million, an increase of R\$318.8 million, or 864.6% compared to 2019, basically due to the amount paid in the acquisition of equity interest of the companies Consinco, Wealth Systems, Supplier, and Tail over the fiscal year 2020, which totaled R\$329.0 million, amount that is net of the cash acquired from such companies.

Cash used in financing activities for the year ended December 31, 2020 was R\$526.4 million, or 167.8% compared with 2019, mainly impacted by the fundraising in the *follow-on* that took place in 2019. In 2020, the 2017 debentures were redeemed in the amount of R\$200 million, and an additional payment of R\$58.3 million in dividends and interest on net equity was made.



COMPARISON BETWEEN CASH FLOWS FOR FISCAL YEARS ENDED ON DECEMBER 31, 2019 AND 2018

(In thousands of Reals)	Fiscal year ended on December 31, 2019	Fiscal year ended on December 31, 2018	HA (%)
Net cash generated from operating activities	345,299	417,838	-17.4%
Net cash used in investment activities	(36,881)	(94,044)	-60.8%
Net cash used in financing activities	776,939	(258,164)	-400.9%
Increase (Decrease) in cash and cash equivalents	1,085,357	65,630	1553.8%

Review of the key variations for the fiscal year ended on December 31, 2019 compared to the fiscal year ended on December 31, 2018

Cash generated from operating activities in fiscal year ended on December 31, 2019 was of R\$ 345.3 million, a decrease of R\$ 72.5 million, or 17.4% compared to 2018, due to the increase of working capital needs, due to the higher level of tax credits used in 2018, because of the payment of labor obligations with extraordinary costs of termination of personnel and the higher volume of interests paid, especially for the payment of the non-conversion premium of debentures.

Cash invested in investment activities for fiscal year ended on December 31, 2019 was of R\$36.9 million, a reduction of R\$ 57.2 million, or 60.8% compared to 2018, due to the amounts received from the sale of both Ciashop and the hardware operation in 2019.

Cash used in financing activities for fiscal year ended on December 31, 2019 was of R\$776.9 million, or 400.9% compared to 2018, impacted by fundraising in the *follow-on*.



10.2 - Operating and Financial Result

a Results of the issuer's operations, especially:

i. Description of any important accounts making part of revenue

The criteria for recognizing revenue from software have not had significant changes that could compromise their comparability in fiscal years 2018, 2019, and 2020.

In 2018, the Company adopted a new standard for presenting its financial and operating performance. Such change was due to the separation of Software results from Hardware ones, aiming at presenting the performance of the Software business more clearly since the Company intended to divest its Hardware operations, which took place in 2019.

On April 30, 2020, with the acquisition of Supplier, a company focused on B2B credit and developing solutions for the relationship between customers and suppliers, the Company started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses, starting to present a new segment of revenue connected to the operation of Credit Products.

Further details on revenue recognition are available in paragraph h.

ii. Factors that materially affected the operating results

The key factors that impacted the Company's operating results in fiscal years ended on December 31, 2020, 2019 and 2018 were the following:

- (i) **Change of strategy in the hardware business:** the change of strategy in the hardware operation made the Bemacash solution (which changed its name to Eleve from 2020 on) to become agnostic (i.e., able to operate on various devices and interact with any systems) combined with the migration of the TEF (Electronic transfer of funds) structure for the software operation, resulted in an allowance for *impairment* for hardware operation in the amount of R\$87 million, impacting the 35% reduction in net income during the fiscal year 2018. After the transfers of the abovementioned operations, in 2019 the Company sold its Hardware operations.
- (ii) **Credit Product Segment:** the acquisition of Supplier on April 30, 2020, made a new segment to be created within the Company's operations, called "Credit Products" (see section 10.3 b for further details on the acquisition). The Company then started the business of financial services, issuing and managing credit cards, including credit analysis and intermediation of financing requests in its businesses. Supplier holds subordinated shares of a securitization fund called "Fundo de Investimento em Direitos Creditórios" (Credit Rights Investment Fund) (hereinafter referred to as "Supplier FIDC"), which buys, sells, and securitizes its own or third-party credit rights.
- (iii) **Economic activity:** the decreased level of activity in the Brazilian economy observed in the past few years has been directly impacting clients' appetite to invest in software solutions, often postponing their decision. In such a scenario, new clients end up asking for a greater extension in the payment term, in



addition to sales conditions below the historical average that the Company has practiced in recent years, thus impacting the average ticket. Brazil still has a modest degree of investment in technologies, especially by small- and medium-sized companies, which represent more than 98% of the local economy, but it has been showing signs of improvement in digitalization in recent years. This, combined with the strong demand for credit for business expansion, which grew 29% in 2020 according to the Neurotech Demand for Credit Index (INDC), at a time when the Covid-19 pandemic imposes additional challenges on everyone, end up bringing innumerable opportunities for growth, increased productivity and competitiveness.

- (iv) **Investments in research and development:** one of the Company's business leverage pillars is innovation in new solutions and technologies. Even in a scenario of economic downturn, the Company has been keeping high investments in research and development. Research expenses in fiscal years ended on December 31, 2020, 2019 and 2018 correspond to 16.6%, 17.4% and 18.1% of the net revenues from software sales for the aforementioned fiscal years, respectively; and
- (v) **Tax benefits:** TOTVS makes use of tax incentives that help the Company in its investments in innovation and best practices in employability, collaborating with the excellence in its products and stability in the number of its staff. The Company takes part in the so-called "Lei do Bem" (Brazilian law that grants tax benefits for companies investing in R&D for innovative technology), which helps the development of products that contribute to better meeting customer needs and developing Brazil's innovation agenda. On the other hand, lower payroll and staff costs helps the organization to keep jobs and skilled labor. We do not guarantee continuity in the use of these benefits because they are granted by the federal government and depend on the government's decision to keep them;
- (vi) **Adoption of the IFRS 16:** On January 1st, 2019, the new standard that governs the accounting treatment of Leasing Operations [IFRS 16/CPC 06 (R2)] issued by IASB and CPC [Brazilian Committee of Accounting Standards], respectively, became effective. To implement such standard, the Company adopted the modified retrospective approach. As a result, the financial information as of December 31, 2018 and 2017 were not adjusted to reflect the adoption of IFRS 16/CPC 06 (R2) and, therefore, cannot be compared with the financial information as of December 31, 2019, which reflect the effects of adopting such newer standard. Such IFRS-16/CPC06 (R6) sets forth a new accounting model for leasing, through which on the date the lease starts, the lessee recognizes a lease liability to make payments (increasing the gross debt) and an asset representing the right to use the underlying asset during the leasing term. Accordingly, interest expenses on the leasing liability and the expense for depreciation of the right to use the asset will be recognized in the operating result, instead of the previous system through which lease expenses were recognized in the Company's operating result.

iii. Variations in revenues attributable to changes in prices, exchange rates, inflation, changes in volumes and introduction of new products and services

Revenues from Recurring Software, which represented 79.2% of the Company's Total Net Revenue for the fiscal year ended in 2020 (75.8% in the same period of 2019) are indexed to the IGP-M rate (General Market Price Index) and the IPC-A rate, being updated according to the "anniversary" of each contract executed with clients.



Regarding the economic indexes that directly affect TOTVS's businesses, the IGP-M had an intense monthly variation during the year and closed with an accumulated increase of 21.97%, while the IPCA index remained in 4.52%, which is 0.21 percentage points above the 4.31% recorded in 2019. In terms of monetary policy, the Selic rate ended the year at 2%. Despite the challenges faced in the economic environment, the structural changes that have been bringing interest rates to the lowest levels in history have boosted the Brazilian capital market, which is undergoing a strong transformation and capitalized on an opportunity with the crisis: the number of investing individuals exceeded the mark of more than 3.2 million (an increase of more than 2 million in the year), with highlights for the diversification of investments and the participation of the younger segments of the population and women in the period.

In 2019, the IGP-M index closed with an accumulated increase of 7.3%, while the IPCA remained at 4.31%, 0.56 percentage points above the 3.75% recorded in 2018. As for monetary policy, the Selic rate started the year at 6.5%, going through four reductions that led it to end the year at the historic low figure of 4.5%. Such a scenario boosted the great demand for variable rate investments, which positively impacted the market of securities, with the Ibovespa rate breaking consecutive historical records in 2019 and reaching 115 thousand points, which represented a growth of 31.6% compared to 2018. According to data released by the United Nations Conference on Trade and Development (UNCTAD), Brazil was the 4th destination that most attracted foreign investments in the year, reaching the mark of US\$ 75 billion in 2019, against US\$ 60 billion in 2018: an increase of 26% in the period.

b. Impact of inflation, changes in prices of key inputs and products, exchange and interest rates on operating results and financial results of the issuer

The Company's operating result may be affected by economic changes, especially with regard to the Brazilian short- and long-term interest rate, inflation index, and exchange rate policy. However, from the historical point of view, such changes have had their effect mitigated for the Company due to the dispersion of its installed client base, composed of companies of practically all sizes and sectors of the Brazilian economy.

Several services used by the Company have their values updated based on the variation of the Brazilian inflation rates known as IGP-M or IPC-A, including personnel expenses (salaries, charges, and benefits), in addition to other expenses, such as travel, communication, and rent, which are also influenced by such inflation rates. However, such an impact is mitigated as recurring revenues are also indexed by inflation (IGP-M and IPCA).

The impact of the 12-month weighted average of the IGP-M rate on the Company's recurring revenues, disregarding the cancellation of recurring maintenance and subscription agreements, resulted in a positive impact on the Company's total net revenue of approximately 12.8% in 2020, 5.9% in 2019, and 3.5% in 2018. On the other hand, the impact of the 12-month weighted average IGP-M and the average IPC-A rates on the Company's operating costs and expenses was of approximately 8.5% in 2020, 4% in 2019, and 3% in 2018.

The variation in interest rates in Brazil may indirectly influence the Company's operating results, as any increase in such rates may lead to a retraction in technology investments made by current clients and potential clients. Thus, it is not possible to dimension the real impact of the variation in interest rates on the Company's operating result, but it is worth mentioning that, historically, in periods when the benchmark SELIC rate rose, the Company did not fail to record growth in sales.



In terms of financial results, the Company, through its subsidiary Supplier, maintains a loan for working capital bound to the Interbank Deposit Certificate (CDI) and it was exposed to financing from BNDES credit facilities, bound to the long-term interest rate (TJLP), which remained net during the fiscal years 2019 and 2020. The debentures issued in 2017 and 2020 bound to the CDI rate variation were settled in the second half of 2020. In the fiscal year ended on December 31, 2020, the interest incurred connected to loans, financing, and debentures represented 40.5% of the financial expense, compared to 65.6% in the fiscal year ended on December 31, 2019 and 67.3% in the fiscal year ended December 31, 2018.

The Company's debt is exposed to the following indicators in each period stated below:

Transaction	Risk	Indicators
BNDES financing bound to TJLP rate	TJLP rate	TJLP + 0.52% at 1.52% pa
Debentures (2017)	CDI	105.95% of CDI rate
Debentures (2020)	CDI	CDI + 2.65% pa
Working capital	CDI	CDI + 1.90% pa

The Company has financial investment policies that require investments to focus on low-risk securities and investments in first-tier financial entities and are substantially remunerated based on percentages of the Interbank Deposit Certificate (CDI) variation. Financial income from such investments, which are pegged to interest rates, in the fiscal year ended December 31, 2020 represented 72.1% of financial income, compared to 87.9% in the fiscal year ended December 31, 2019 and 68.6% in the fiscal year ended December 31, 2018.

In addition, revenues of some subsidiaries that operate internationally are exposed to exchange rate risk arising from exposures in certain currencies such as the Dollar of the United States of America (USD), Argentine Peso (ARS), Mexican Peso (MXN), and Chilean Peso (CLP). The Company endeavors efforts so that its net exposure is maintained at an acceptable level in accordance with the policies and limits determined by Management.



10.3 - Events with significant, occurred, and expected effects on the financial statements

a. acquisition or sale of operating segment

Aiming at expanding the Company's strategic focus on software operations, the Management sold its hardware operations in 2019. The result of the said sale of its hardware operations generated a net loss of R\$44,946 recorded under the account "Loss from discontinued operations".

The result of the hardware operation was classified as a discontinued operation, pursuant to IFRS 05/ CPC 31, disclosed in a separate line on the Company's income statement on December 31, 2020, 2019, and 2018 on a comparative basis.

On April 30, 2020, the Company acquired the control of Supplier, a B2B credit operation company, especially in the relationship between customers and suppliers. Supplier, in turn, has subordinated shares of the Supplier FIDC fund, which is being consolidated in the group's financial statements. As a result, the Company started to follow up and manage the performance of this new business, so TOTVS introduced the statements of the financial and operational results for this new segment called Credit Products - Supplier.

The Credit Products Segment - Supplier considers Supplier's businesses that involve, in addition to origination, the assumption of some degree of credit risk and/or the determination and/or use of credit policies, for instance, the products known as "Supplier Card", "Antecipa", and "Mais Prazo". In this segment, the results obtained from the Supplier FIDC's subordinated shares are also consolidated, to which the company Supplier Administradora currently assigns the originated credits.

Aiming at contributing to achieve its strategic purposes, the Company constantly assesses investment and divestment opportunities. The main transactions carried out by Company are shown in paragraph b. of this section.

b. creation, acquisition, or disposal of equity interest

The key mergers, acquisitions, and disposals made by the Company in the last 3 years are listed below, in chronological order:

2020

Neolog - on January 28, 2020 the Company acquired the remaining 40% interest in the capital of the subsidiary Neolog for the amount of R\$ 7,120, with the put option being exercised by the selling shareholder.

Acquisition of Consinco - On January 30, 2020, the Company, through its subsidiary Soluções em Software e Serviços TTS Ltda., acquired 100% of the capital stock of Consinco S.A., a corporation that provides management systems for vertical operations of supermarkets and wholesalers in the Brazilian market, under the agreement executed on December 27, 2019, for an approximate amount of R\$240,636, of which R\$197,000 were paid on the date of the transaction. The transaction provided for a price adjustment after the acquisition that resulted in an amount received of R\$5,624, totaling R\$191,376. In addition, the agreement provides for the payment of a complementary purchase price of up to R\$55,000, with the estimated fair value at the acquisition date being



R\$49,260, subject to the achievement of goals determined for the acquired company for the years 2020 and 2021 and the compliance with other conditions, to be paid in 2021 and 2022, respectively.

Acquisition of Wealth Systems - On April 8, 2020, the Company, through its subsidiary TOTVS Large, acquired 100% of the capital stock of Wealth Systems Ltda. for the amount of R\$27,000, of which R\$11,750 were paid in cash to the sellers and the remainder will be paid in the fiscal year 2023 upon the achievement of performance goals determined for Wealth Systems. The residual amount less the price adjustment provided for in the agreement upon the acquisition date was R\$2,994.

Acquisition of Supplier - On April 30, 2020, after the fulfillment of all conditions precedent, the Company completed the acquisition of 88.75% of the capital stock of Supplier Participações, through its subsidiary TOTVS Tecnologia em Software de Gestão Ltda., a company focused on B2B credit between customers and suppliers, for the amount of R\$458,405. The transaction started on October 28, 2019 and was approved by CADE (the Brazilian Antitrust Agency) in December 2019.

In addition, the transaction also provides for the option to buy and sell the remaining portion of Supplier Participações, which may be exercised from 2022 to 2026. The exercise price of such options will be measured based on multiples calculated by Supplier's performance for each year. Considering that the option to buy and sell additional interest issued in favor of non-controlling shareholders was agreed to together with a business combination, the fair value of the obligation was recognized and recorded under the caption "Obligations for acquisition of investments".

Supplier, pursuant to CPC36 (R3) / IFRS 10, consolidates Supplier FIDC which is legally an investment fund authorized by the Brazilian Monetary Council and specifically designed as an investment vehicle for investment in Brazilian credit receivables. As a result of the consolidation of Supplier FIDC, the senior and mezzanine shares are accounted for as a financial liability under the caption "Senior and mezzanine shares", and the remuneration for the valuation of shares to the benefit of the holders of the senior and mezzanine shares is recorded as the cost of the transaction.

Acquisition of Tail - On December 19, 2020, the Company, through its subsidiary TOTVS Large, acquired 100% of the capital stock of Tail Target Tecnologia de Informação Ltda. for the amount of R\$42,000, and the payments of which were distributed as follows: (i) R\$7,800 were paid in cash; (ii) R 4,073 referring to installments retained to comply with conditions set forth in the agreement; and (iii) R\$20,000 to be paid upon reaching the goals set for Tail to achieve for the years 2021 and 2022, whose fair value on the acquisition date was R\$11,600.

Tail is a provider of a data intelligence platform that provides *insights* to clients and customers through real-time monitoring of the behavior of a wide audience on the Internet aiming at optimizing their clients' sales.

2019

Ciashop - On May 9, 2019, the Company entered into an agreement to sell 70.47% of the interests it held in Ciashop's capital stock to VTEX S.A. for the amount of R\$21,175. This transaction was completed on July 31, 2019,



after being approved by the Brazilian antitrust authorities. The net gain from the sale of Ciashop was recorded under the entry "Other operating income and expenses" on the income statement.

Hardware Operations - On October 24, 2019, the Company announced the completion of the sale of its Brazilian hardware operations, through the subsidiary Bematech Hardware Ltda. to ELGIN S.A. for the amount of R\$25,000, received in full in the fiscal year 2020.

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

2018

RJ Participações : on May 9, 2018, the subsidiary Bematech S.A. (currently known as TOTVS Large) exercised an additional purchase option of an additional 20% of the capital stock of RJ Participações, reaching a share of 80%. The amount for such acquisition was R\$9.9 million, of which R\$4.3 million was paid on the date the option was exercised, and the remainder was paid over the fiscal year 2019. In such same transaction the option to buy and sell the remaining 20% interest was extended to 2021 to be measured based on the performance metrics of 2020. As the initial contract to acquire RJ Participações had already provided for the purchase and sale options of the remaining stake, the Company consolidates 100% of its results and maintains an estimate of the payment under the liability account as "Investment acquisition obligations". During the fiscal year 2019, the amount of R\$ 3.7 million related to the earnout of the acquisition of RJ Participações was reversed because the goals set forth in the stake acquisition agreement were not achieved.

Passlack: on August 1, 2018, the subsidiary TFS Soluções em Software Ltda. acquired and merged Passlack Consultoria em Informática Ltda., a company focused on development and support for the *Financial Services* segment for R\$8.2 million. Passlack's net assets were acquired according to the shareholders' equity appraisal report, approved at a partners' meeting together with the corresponding acquisition protocol and justification.

c. unusual events or transactions

On December 4, 2019 the Company informed in a Notice to the Market that the Lease Agreement executed on October 16, 2013 between the Company and the corporation VIP VII - Empreendimentos e Participações S.A., the purpose of which is to lease the property in which the headquarters of TOTVS is installed was no longer a contract with a Related Party, in view of the change in the corporate structure of VIP VII, according to a material fact disclosed by the securities brokers Credit Suisse Hedging-Griffo, as the managing institution of CSHG Real Estate - Fundo de Investimento Imobiliário - FII, on the same date.



10.4 - Material changes in accounting practices - Qualifications and emphases in the auditor's report

a. material changes in accounting practices

On January 1, 2018 the new accounting standards issued by the IASB (*International Accounting Standards Board*) and CPC (Brazilian Committee of Accounting Standards) became effective, which resulted in the changes listed below:

IFRS-9/ CPC-48 - Financial Instruments: it sets forth, among other requirements, a new model of *impairment* of financial assets for expected and incurred losses, replacing the previous model that considered only the losses incurred based on mere signs of default. The application of such a standard resulted in the creation of an additional allowance for settlement credits, based on the historical loss determined in each "aging-list" range of the accounts receivable portfolio, including those due, combined with the clients' payment likelihood provided by credit protection entities.

IFRS-15/CPC-47 - Agreements with Clients: this standard sets forth new requirements to recognize revenues from agreements with clients based on the fulfillment of the so-called "performance obligations" (deliveries) and requires the deferral of the incremental costs incurred in sales. The application of this standard resulted in the recognition of recurring maintenance and subscription revenues during the grace periods, as well as the deferral of selling expenses and the allowance of commission expenses, as a way to "linearize" the result throughout the estimated life of such agreements. The service revenue recognition method has also had adjustments, starting to calculate the percentage of completion of projects (*PoC - Percentage of Completion*) based on the costs incurred compared to the updated estimates of total costs required to complete the projects.

On January 1, 2019 the new accounting standard issued by IASB (*International Accounting Standards Board*) and CPC (Brazilian Committee of Accounting Standards) came into effect:

Such **IFRS 16/CPC 06** sets forth a new accounting model for leasing, through which on the date the lease starts, the lessee recognizes a lease liability to make payments (increasing the gross debt) and an asset representing the right to use the underlying asset during the leasing term. Accordingly, interest expenses on the leasing liability and the expense for depreciation of the right to use the asset will be recognized in the operating result, instead of the previous system through which lease expenses were recognized in the Company's operating result.

There were no changes to the accounting standard in 2020 that impacted the Company's financial statements.

b. material effects of changes on accounting practices

On January 1, 2019, the adoption of IFRS 16/ CPC 06 (R2) resulted in increased fixed assets of R\$236.8 million and a leasing liability (current and non-current) and other non-current liabilities in the amount of R\$236.8 million. As part of the recognition of the right to use real estate assets for the contracted period, the Company reversed the deferred amount from the grace period applied to some lease agreements which resulted in an increase of Shareholders' Equity of R\$ 4.3 million.



On January 1, 2018 the initial adoption of IFRS 9/ CPC 48 and IFRS 15/ CPC 47 generated a reduction in Shareholders' Equity of R\$8.0 million.

In the fiscal year ended on December 31, 2018 the adoption of IFRS 9/ CPC 48 resulted in an increased expense of R\$ 6.2 million in the allowance for doubtful accounts, while IFRS 15/ CPC 47 resulted in an increase of R\$ 9.2 million in Net Revenue and R\$ 1.9 million in Sales and Marketing Expenses.

c. reservations and emphases present in the auditor's report

The Company has no history of restrictions and/or emphases present in the opinions issued by its independent auditors.



10.5 - Critical accounting policies

The key accounting practices adopted by the Company are described in the Financial Statements for fiscal years ended December 31, 2020, 2019, and 2018 available on the Company's Investor Relations website and on the website of the Brazilian Securities and Exchange Commission (www.cvm.gov.br).

The preparation of financial statements requires the use of certain critical accounting estimates and also the exercise of judgment by the Company's management in the process of applying accounting policies of TOTVS S.A. and its controlled companies.

Judgments

In the process of applying the consolidated accounting policies, the Management made the following judgments that may have a significant effect on the amounts recognized in the individual and consolidated financial statements:

- (i) Judgments connected to the identification of performance obligations for software sales, which include license fee, monthly software service, and implementation/customization services that can have material effects on the recognition of contract revenue with clients. The Company concluded that such performance obligations are different since they are sold separately, because the implementation and customization services are also offered by other suppliers.
- (ii) The Company sets forth the leasing time term as a contractual term that cannot be cancelled, together with the periods included in any renewal option to the extent that such renewal is deemed as reasonably certain and with periods covered by an option to terminate the agreement to the extent that it is also assessed as reasonably certain.

Estimates and assumptions

The estimates and assumptions that present a significant risk and that require a higher level of judgment and complexity for the Company's financial statements are the following:

- (i) **Allowance for expected losses from accounts receivable** - the Company and its subsidiaries use a provision matrix based on the historical loss rates observed by the group to calculate the expected credit loss. The assessment of the correlation between observed historical loss rates, expected economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in expected economic conditions and circumstances. The historical experience of credit loss of the Company and its subsidiaries and the forecast of economic conditions may also not represent the client's real standard in the future.
- (ii) **Recoverable value of tangible and intangible assets, including goodwill** - an impairment loss exists when the book value of an asset or cash-generating unit exceeds its recoverable value, which is the higher of the net fair value of the sales expenses and the value in use.
- (iii) **Deferred taxes** - Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that there will be taxable income available to allow the use of said losses. Significant



management's judgment is required to determine the value of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, along with future tax planning strategies.

(iv) Allowance for contingencies bound to lawsuits - The likelihood of loss includes the assessment of the available evidence, the hierarchy of laws, the available case law, the most recent court decisions and their relevance in the legal system, as well as their assessment by external lawyers. Provisions are reviewed and adjusted to take into account changes in circumstances, such as applicable prescription periods, conclusions of tax inspections or additional exposures found based on new matters or court decisions.

(v) Revenue from non-recurring services - the recognition of revenue from software implementation and customization services requires the use of estimates in the projection of total costs required to fulfill the performance obligation under agreements with clients. The Company periodically reassesses such estimates and replans the contractual margins whenever necessary.

The settlement of transactions involving such estimates may result in amounts significantly different from those recorded in the financial statements due to uncertainties inherent to the estimation process. The Company reviews its estimates at least once a year.



10.6 - Material entries not acknowledged in the financial statements

a. the assets and liabilities held by the issuer, directly or indirectly, that do not appear on its balance sheets (*off-balance sheet items*), such as:

i. operating leasing transactions, assets and liabilities

There are no relevant items of this nature not evidenced on the Financial Statements as of December 31, 2020 and 2019.

For the Financial Statements of the fiscal years ended on December 31, 2018, the Company presented the contract with VIP VII - Empreendimentos e Participações Ltda., for the construction and lease of the new headquarters, the purpose of which was to integrate the Company's facilities in the city of São Paulo for a minimum period of 10 years from the delivery date that took place in 2017.

ii. portfolios of receivables written off over which the organization maintains risks and responsibilities, indicating their corresponding liabilities

There are no relevant items of this nature not shown in the financial statements.

iii. contracts for future purchase and sale of goods or services

There are no relevant items of this nature not shown in the financial statements.

iv. unfinished construction contracts

There are no relevant items of this nature not shown in the financial statements.

v. contracts for future financing receivables

There are no relevant items of this nature not shown in the financial statements.

b. other items not shown in the financial statements

Not applicable.



10.7 - Comments on items not acknowledged in the financial statements

a. how such items change or may change revenues, expenses, operating results, financial expenses or other items in the issuer's financial statements

There are no relevant items of this nature not shown in the financial statements.

b. nature and purpose of the operation

There are no relevant items of this nature not shown in the financial statements.

c. nature and amount of obligations undertaken and rights generated in favor of the issuer as a result of the transaction

There are no relevant items of this nature not shown in the financial statements.



10.8 - Business Plan

a. investments, including:

i. quantitative and qualitative description of ongoing investments and projected investments.

The Company keeps its strategy of seeking inorganic growth through mergers and acquisitions of companies that develop management software or companies that can expand the Company's value-added service offerings, in the Brazilian and/or in the global market. However, it is worth stressing that due to the COVID-19 pandemic that had its first effects during the first half of 2020, the Company believes that such investments can be reevaluated in order to preserve the liquidity of its businesses.

Research and Development (R&D) is another relevant segment in the investment plan, because of its strategic importance for the economic sector in which the Company operates. Such investments allow us to offer solutions that are more and more adherent to the needs of clients and add technological innovations that provide greater productivity for the users of our solutions.

Research and Development (R&D) expenses on the Financial Statements for the period ended on December 31, 2020, 2019, and 2018 reached R\$431.3 million, R\$ 397.8 million, and R\$ 382.1 million, respectively.

The Company's key investment initiatives in Research and Development in the last three years were aimed at facilitating access to our customers to financial services in a more technological, agile and economical way (Techfin), Artificial Intelligence (AI), and compliance with new regulations:

- Projects aimed at expanding, simplifying, and making cheaper our clients' access to financial services through the new front of Techfin. In 2020, the products "TOTVS Antecipa" and "TOTVS Mais Prazo" were launched.
- Such are Projects aimed at bringing innovation to the financial market, generating better operational results for users of *financial service* tools.
- Investments in project to meet the needs of the manufacturing markets, integrating the various solutions with agility and always seeking the best practices of industry 4.0.
- Projects focused on platform integration and productivity aim at facilitating the management and use of cloud infrastructure.
- Research and development applied to promote efficiency gains and best practices in the management of carriers, logistics operators, ports, and bonded areas and warehouses.
- Research and development aimed at adding innovations to the retail segment, seeking to bring new and better experiences to users and clients of these solutions.
- Investments in an artificial intelligence project that will promote innovation, efficiency, and performance gains in the various solutions developed by the Company in several segments.

ii. sources of investment financing

Investments in R&D have as financing source funds generated by the Company's operating activities and funds coming chiefly from PROSOFT, PSI, and Debentures (see section 10.1.f). In addition to the resources generated



in operating activities, mergers and acquisitions of companies can also be made feasible through structured transactions involving both own and third-party resources according to the magnitude of the transaction.

iii. relevant divestitures in progress, and planned divestitures

Currently, the Company has no relevant and/or planned divestments.

b. as long as it has already been disclosed, indicate the acquisition of factories, equipment, patents or other assets that should materially influence the issuer's productive capacity

Not applicable.

c. New products and services, including:

i. description of ongoing research already disclosed

Not applicable.

ii. total amount spent by issuer with reasearch for development of new products or services

Not applicable.

iii. developing projects already disclosed

Not applicable.

iv. total amounts spent by issuer to develop new products or services

Total Research and Development expenses reached 16.6%, 17.4%, and 18.1% of the Company's net revenue, for the fiscal years ended on December 31, 2020, 2019, and 2018, respectively. In addition, over 2020 the Company capitalized expenses with the development of some projects, with clear prospects of return in the medium/long term, which totaled R\$18.9 million.



10.9 - Other factors with relevant influence

The Company monitors the impacts resulting from the Covid-19 pandemic and has been taking preventive and mitigating measures in line with the guidelines set forth by the health authorities regarding the safety of its participants (TOTVERS) and the continuity of its operations.

Among the measures adopted by the Company, the following ones stand out:

- (i) Creation of a Crisis Committee that developed several actions for its ecosystem during such period, promoting social responsibility with the sector, society, and employees;
- (ii) Adoption of the remote work practice (aka *home office*) for all its units, as well as the implementation of the possibility of gradual and voluntary return of TOTVERS who do not declare themselves to be in any risk group, under safe conditions, based on official health guidelines in force in every city in which we have units;
- (iii) Suspension of international travel and restriction of domestic travel;
- (iv) Implementation, with our health care company, of a 24-hour telephone service to support all TOTVERS;
- (v) Even more austere monitoring of accounts receivable during the pandemic, which despite the increase in the provision for expected loss in Q2'20, the Company has observed an improvement both in the timely payment by clients and customers and a reduction of estimated losses;
- (vi) Layoffs or initiatives to reduce wages and work hours were not adopted by the Company;
- (vii) The Company's operations remained at a normal level, even in the sudden new model of remote work, both in terms of service and support for our clients and customers.
- (viii) Creation of a specific online page, in which all the Company's stakeholders were able to follow up the developments of the pandemic and the actions taken on products and services so that our clients and customers could adapt to the scenario, such as, for example, changes in tax and labor obligations;
- (ix) More than 30 thousand free online training places were made available to customers and other persons interested in taking courses on products and services provided by TOTVS; and
- (x) TOTVS took part in the development of the Minimum Return Protocol to business activities promoted by Brasscom (Brazilian Association of Information and Communication Technology Companies).



EXHIBIT II

CAPITAL BUDGET

Dear shareholders,

Pursuant to art. 196 of Brazilian Law 6,404/76, the Executive Board of Officers of TOTVS S.A. hereby:

1. Reports investments made in 2020 in the amount of R\$421,176,647.19, of which R\$32,066,842.18 were invested in fixed assets, R\$52,972,980.13 in intangible assets, and R\$336,136,824.88 in the acquisition of corporate stocks and interests. Such investments were made with R\$322,505,009.54 of own resources generated by the Company's operating activities, and R\$98,671,637.65 from the Company's retained earnings reserve set up in 2019.
2. Propose Retained Earnings for the fiscal year 2020 in the amount of R\$132,731,049.91 to face the 2021 investment plan, substantially connected to expansion projects, acquisition of assets, and strategic initiatives. The Company's 2021 investment plan, based on retained earnings under this proposal, totals R\$132,731,049.91, which shall be distributed as follows: (a) R\$91,304,517.37 in fixed and intangible assets, and (b) R\$41,426,532.53 in strategic projects.

This is the budget proposal we submit to you.

São Paulo, March 19, 2021.

THE EXECUTIVE BOARD OF OFFICERS



EXHIBIT III

ALLOCATION OF NET INCOME FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020
ANNEX 9-1-II OF CVM INSTRUCTION No. 481/09

ALLOCATION OF NET INCOME

1. Report the net income of the fiscal year:	
<i>Net income of the fiscal year</i>	<i>R\$294,957,888.68</i>
2. Report the total amount and the amount per share of the dividends, including prepaid dividends and interest on net equity already stated and/or paid in:	
	Lump sum
	R\$39,742,843.21
<i>Interest on net equity stated on August 3, 2020 and paid on October 22, 2020 (R\$0.07/share)</i>	<i>R\$56,775,735.10</i>
<i>Interest on Net Equity stated on December 15, 2020, to be paid on May 20, 2021 (R\$0.10/share)</i>	<i>R\$50,960,366.03</i>
<i>Dividends proposed by the Management at the 2021 AGM (R\$0.09/share)</i>	<i>R\$147,478,944.34</i>
<i>Total (R\$0.26/share)</i>	
3. Report the percentage of distributed net income for the fiscal year:	
<i>Percentage of Net income for the year distributed (gross amount)</i>	<i>50.00%</i>
4. Report the total amount and the amount per share of dividends distributed based on the profit of previous years:	
<i>Dividends distributed based on the profit from previous years</i>	<i>R\$0.00</i>
5. Report, after deducting the prepaid dividends and interest on net equity already stated:	



a. The gross amount of dividends and interest on net equity, in a segregated manner, per share of each type and class

R\$0.09 (nine cents of Real) per common share

b. The form and term of payment of dividends and interest on net equity

It is proposed that the payment of additional dividends, the statement of which will be subject to resolution at the Annual General Meeting, in the amount of R\$50,960,366.03, be made on May 20, 2021, in cash.

c. Possible interest rate for monetary updating, interest on dividends, and interest on net equity.

Not applicable.

d. Date of the statement of payment of dividends and interest on net equity considered to identify the shareholders that will be entitled to receive such amounts.

All shareholders holding shares issued by the Company on the base date of April 20, 2021 will be entitled to dividends.

6. In the event that there has been any statement of dividends or interest on net equity based on profits found in semiannual balance sheets or in shorter periods:

a. Report the amount of dividends or interest on net equity already stated

b. Enter the date of the corresponding payments

			Amount		
Remuneration	Stated on	Share	Global	Per share	Payment
<i>Interest on net equity</i>	<i>Aug. 3, 2020</i>	<i>RC</i>	<i>R\$39,742,843.21</i>	<i>R\$0.07</i>	<i>Oct. 22, 2020</i>
<i>Interest on net equity</i>	<i>Dec. 15, 2020</i>	<i>RC</i>	<i>R\$56,775,735.10</i>	<i>R\$0.10</i>	<i>May 20, 2021</i>



7. Provide a comparative table showing the following amounts per share of each type and class:

a. Net income for the year and the 3 (three) previous years.

b. Dividends and interests on net equity distributed in the previous three (3) years.

	<i>Fiscal year (amounts stated in R\$)</i>			
	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
<u><i>Lump sum</i></u>				
<i>Net profit</i>	<i>294,957,888.68</i>	<i>209,796,262.05</i>	<i>59,547,769.02</i>	<i>92,980,267.17</i>
<i>Dividends</i>	<i>50,960,366.03</i>	<i>24,816,612.56</i>	<i>17,977,520.00</i>	<i>5,441,584.63</i>
<i>Interest on net equity</i>	<i>96,518,578.31</i>	<i>80,081,518.46</i>	<i>27,785,010.88</i>	<i>50,346,575.67</i>
<i>Total distributed</i>	<i>147,478,944.34</i>	<i>104,898,131.03</i>	<i>45,762,530.88</i>	<i>55,788,160.36</i>
<u><i>Amount per RC share (*)</i></u>				
<i>Net profit</i>	<i>0.51951</i>	<i>0.36302</i>	<i>0.12144</i>	<i>0.18967</i>
<i>Dividends</i>	<i>0.08976</i>	<i>0.04333</i>	<i>0.03667</i>	<i>0.01110</i>
<i>Interest on net equity</i>	<i>0.17000</i>	<i>0.14000</i>	<i>0.05667</i>	<i>0.10270</i>
<i>Total distributed</i>	<i>0.255976</i>	<i>0.18333</i>	<i>0.09333</i>	<i>0.11380</i>

* Number of shares outstanding on Dec. 31 of each fiscal year, after the split-up performed in April 2020.

8. In case any profit is allocated to the legal reserve:

a. Provide the amount allocated to the legal reserve.

R\$14,747,894.43

Amount allocated to the legal reserve

b. Detail how the legal reserve is calculated.

R\$294,957,888.68

Net income of the fiscal year

5%



(x) Percentage allocated to the legal reserve (Art. 193, Law 6,404/76)

R\$14,747,894.43

(=) Allocation to the legal reserve

9. In case the company holds preferred shares entitled to fixed or minimum dividends

a. Describe the form of calculations of fixed or minimum dividends

Not applicable; the Company does not have preferred shares.

b. Inform if the profit for the fiscal year is sufficient for the full payment of the fixed or minimum dividends

Not applicable; the Company does not have preferred shares.

c. Inform if any unpaid portion is cumulative

Not applicable; the Company does not have preferred shares.

d. Inform the total amount of the fixed or minimum dividends to be paid to each class of preferred shares

Not applicable; the Company does not have preferred shares.

e. Inform the fixed or minimum dividends to be paid per preferred share of each class

Not applicable; the Company does not have preferred shares.

10. As regards the mandatory dividend:

a. Describe the form of calculation provided for in the bylaws

Item "ii" of Article 37 of the Company's Bylaws provides for a mandatory dividend of not less than 25% of the adjusted annual net income, as provided for in Article 202 of the Brazilian Corporations Act.

b. Inform if it is being paid in full

Dividends and interest on net equity stated during the year are higher than the mandatory dividend; therefore, the mandatory dividend has been paid in full.

c. Inform the amount possibly withheld

No mandatory dividend was withheld.

11. If there is a mandatory dividend retention due to the Company's financial condition:

a. Provide the withheld amount.

No mandatory dividend was withheld.

b. Describe, in detail, the Company's financial condition, including aspects related to liquidity analysis, working capital and positive cash flows.

No mandatory dividend was withheld.

c. Explain dividends withheld

No mandatory dividend was withheld.



12. If there is any profit allocation to contingencies reserve:

a. Provide the amount allocated to such reserve.

Nothing was allocated to the contingency reserve.

b. specify the probable loss and its cause.

Nothing was allocated to the contingency reserve.

c. Explain why the loss was considered probable

Nothing was allocated to the contingency reserve.

d. Explain why such reserve was created.

Nothing was allocated to the contingency reserve.

13. If there is any allocation of profit to the unrealized profits reserve:

a. Provide the amount allocated to the unrealized profit reserve.

Nothing was allocated to the unrealized profit reserve.

b. Provide the type of unrealized profits that gave rise to the reserve.

Nothing was allocated to the unrealized profit reserve.

14. If there is any allocation of profits to statutory reserves:

a. Describe the statutory clauses that set forth such reserves

Nothing was allocated to statutory reserves.

b. Provide the amount allocated to such reserve

Nothing was allocated to statutory reserves.

c. Describe how such amount was calculated

Nothing was allocated to statutory reserves.

15. If there is any retained earnings foreseen in capital budget

a. Provide the withheld amount

R\$132,731,049.91

Investments:

In Reals

Investments in fixed and intangible assets

R\$91,304,517.37

Investments in strategic projects

R\$41,426,532.53

Total investments

R\$132,731,049.91



Sources:

Retained earnings reserve as of December 31, 2021	R\$132,731,049.91
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Total sources	R\$132,731,049.91
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b. Inform a copy of capital budget

The copy can be found in Exhibit II to this Management Proposal.

16. If there is any allocation of earnings to the tax incentive reserve

a. Provide the amount allocated to such reserve

Nothing was allocated to the tax incentive reserve.

b. Explain the type of such allocation

Nothing was allocated to the tax incentive reserve.



EXHIBIT IV

PROPOSAL FOR THE MANAGEMENT MEMBERS' COMPENSATION

SECTION 13 OF THE REFERENCE FORM

13.1 Describe the policy or practice of compensation of the Board of Directors, Statutory and Non-Statutory Board of Executive Officers, Audit Committee, Statutory Committees, and Audit, Risk, Financial, and Compensation Committees, addressing the following matters:

a. Purposes of the compensation policy or practice, informing whether such compensation policy has been formally approved, the area responsible for approving it, the date of approval, and all places on the Internet where such document can be read

The Company has a Human Relations and Compensation Policy, which was approved on June 10, 2020 by the Board of Directors. Such Policy has as purpose to establish the guidelines and responsibilities to be followed in TOTVS people management process, in all the stages of its People Management Cycle. This includes the compensation models, with the aim of giving executives proper incentives as regards the long-term performance of the Company, competitive and aligned with market practices and international standards that enhance the attraction and retention of professionals, raising the medium- and long-term alignment between the interests of executives and shareholders.

Such Human Relations Management and Compensation Policy is available on the TOTVS Investor Relations website (<https://ri.TOTVS.com/ptb/estatutos-politicas-e-regimentos>) and on the CVM website.

b. how compensation is composed:

i. description of the compensation items and the purposes of each one of them

Board of Executive Officers

The composition of the Statutory and Non-Statutory Board of Executive Officers compensation has a mix of variable short- and long-term incentives based on performance, in addition to a fixed base salary, as detailed below.

Fixed Compensation: it is connected to the amount received every month by the professional, and is aimed at compensating him/her for the duties and responsibilities inherent in the position held.

Variable Compensation:

- *Short-term incentive (Semi-annual bonus):* it refers to the variable amounts received semi-annually by the professional, as a reward for his/her individual results and the global results of the Company and each business. Such semiannual bonus is bound to global financial indicators, of each business and the individual performance by means the compliance with objective performance metrics that include a combination of measure of a financial and non-financial nature (strategic and operational).
- *Long-term incentive (Stock Plan):* it refers to the value of the restricted common shares issued by the Company that are delivered to eligible Participants, based on individual performance, strictly under the terms and conditions set forth in the current Share-Based Incentive and Retention Plan approved by the General Meeting on December 15, 2015 and amended on April 5, 2018 and April 18, 2019, with the purposes of: (i) increasing the medium- and long-term alignment between the interests of executives and



shareholders, enhancing the participants' sense of ownership and commitment; (ii) strengthening the Participants' incentives for long-term permanence and stability, within the context of a publicly-held company; (iii) serving as an essential tool to retain and attract talents, in an industry that suffers global competition and has compensation levels above the average of other sectors; and (iv) fostering the increase in the Company's long-term performance. The number of shares to be granted annually to each participant is based on the individual performance assessment measured based on the "9 Box" method, which considers the effective deliveries of each executive over the fiscal year, the adhesion to TOTVS core competencies and the potential future of contribution to the Company. The assessments are carried out by the executive's manager, with subsequent calibration by a collegial body consisting of: (i) the Statutory Board of Executive Officers, in the case of assessment of non-statutory executive officers; (ii) the Personnel and Compensation Committee; and (iii) the Board of Directors, in the case of assessment of statutory executive officers. The number of restricted shares to be granted to each nominated participant is recommended by the Personnel and Compensation Committee and decided by the Board of Directors.

Benefits: it refers to the set of benefits granted to executives, such as health insurance, dental insurance, meal vouchers, private pension plans, life insurance, automobile and fuel voucher. The benefit package aims to be aligned with the main market practices, by adopting most prevailing kinds of benefits in the market. Such set of benefits is the same for all executives. However, there may be differences in the amounts of benefits granted depending on the position and the region in which the executive officer works.

Board of Directors

The compensation of the Board of Directors members consists of a fixed monthly compensation that aims at rewarding the directors for the duties and responsibilities related to the position held and according to market practices.

Since 2019, the compensation of the Chairman of the Board is also made up of a variable portion by the performance-based, Long-Term Incentive (stock plan), under the terms and conditions established in the Share-Based Incentive and Retention Plan in force, approved by the General Meeting on December 15, 2015 and amended on April 5, 2018 and April 18, 2019. The granting of Restricted Shares is subject to the fulfillment of predetermined long-term targets that reflect the assertiveness in the contribution and performance to the Company's medium- and long-term strategy with the purpose of generating value for shareholders. In addition, the Chairman of the Board of Directors is also eligible to the following benefits: life insurance, medical plan, dental plan, and vehicle with driver. These forms of compensation have as purpose to recognize the differentiated role the Chairman of the Board has at TOTVS and in the market, since he was elected for this position on November 26, 2018, considered as similar to the role of an enhanced Chairman that includes, among others, targets with three-year cycles related to strategy, Company's long-term performance and institutional performance and mentorship of the CEO.

Audit, Personnel and Compensation, Governance and Nomination, and Strategy Committees

The Company's committees are advisory boards consisting of Board of Directors' members, external members and of the Company's Board of Executive Officers. According to the main market practices, the Board of Directors' members who are part of committees receive a monthly fixed compensation in addition to the compensation that they are entitled to as Company directors, with the purpose of rewarding them for their dedication to works in the committees. The external members also receive a monthly fixed compensation for their participation in the committees. On their turn, the members of the Company's Board of Executive Officers do not receive additional compensation for their participation in the committees, when this occurs.

ii. regarding the last 3 fiscal years, the proportion of each item in the total compensation

The tables below show the proportion of each item in the total compensation of each body regarding the last three fiscal years:



BOARD OF EXECUTIVE OFFICERS

Compensation Item	2020	2019	2018
Fixed	27%	29%	58%
Variable	67%	60%	37%
Benefits	5%	11%	5%

BOARD OF DIRECTORS

Compensation Item	2020	2019	2018
Fixed	64%	82%	100%
Variable*	31%	14%	-
Benefits*	5%	4%	-

* Applicable to the Chairman of the Board of Directors only

The increase in the relation of the variable compensation towards the fixed compensation along the years aligns properly the compensation strategy with the purpose of fostering the Company's future performance.

AUDIT, PERSONNEL AND COMPENSATION, GOVERNANCE AND NOMINATION, AND STRATEGY COMMITTEES

As shown in item (i) above, the committee members' compensation is 100% composed of fixed compensation.

iii. method of calculation and updating of each compensation item

The methods of calculation and updating used in each compensation item of the management members are detailed below:

Statutory and Non-Statutory Board of Executive Officers

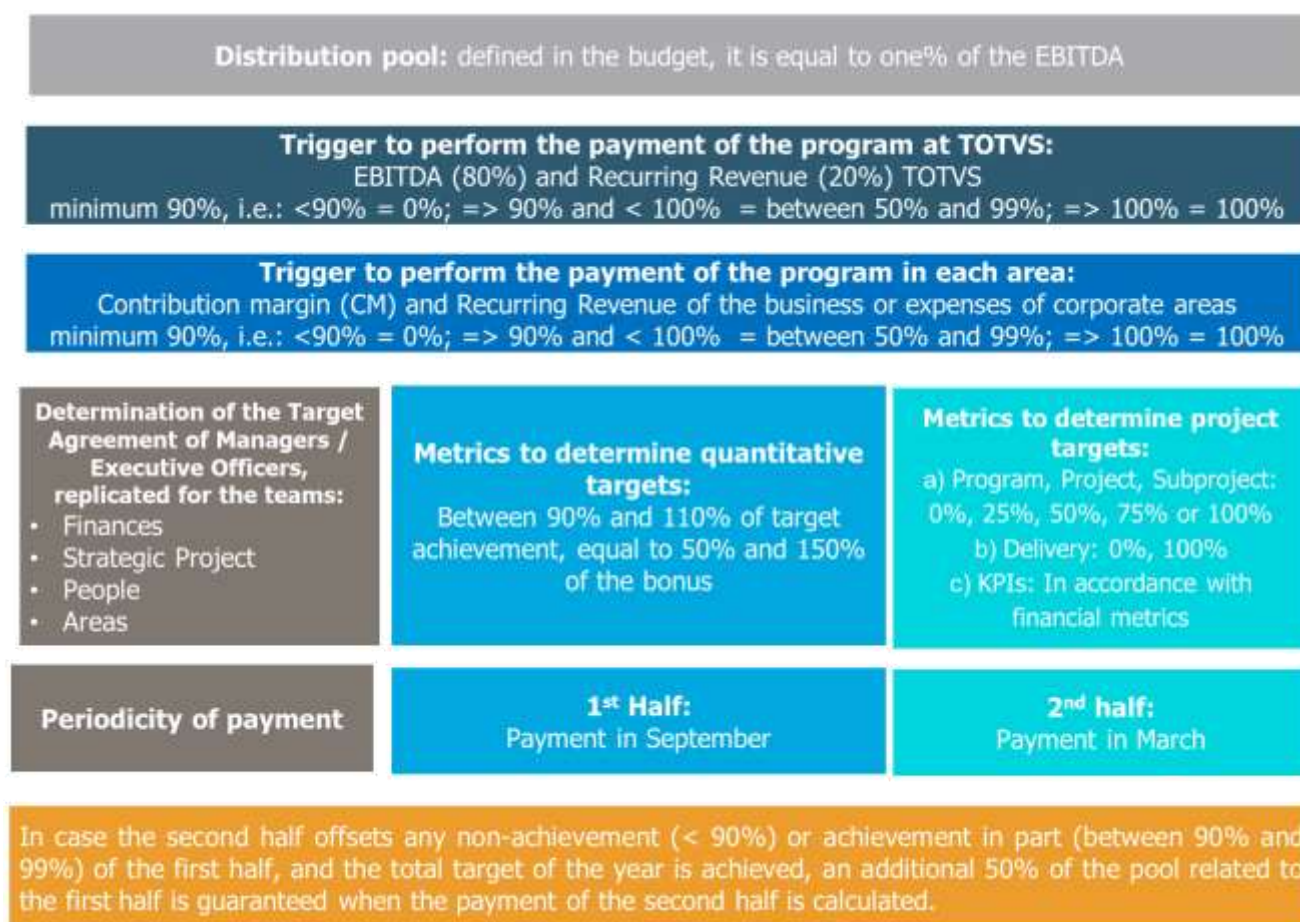
- *Fixed Compensation:* the fixed compensation, paid 13 times a year to the Statutory Board of Executive Officers, can be updated every year at the sole discretion of the Board of Directors, as suggested by the Personnel and Compensation Committee, which assesses the Executive Officer's performance in his/her activities and achievement of the targets set. The fixed compensation can also be updated according to official inflation indices and comparative market reviews carried out by expert consultants, considering the best market practices.

Short-term incentive: the semi-annual bonus pool to be distributed to executive officers depends on the achievement of the Company's EBITDA targets and the Company's recurring revenue, as well as the contribution margin and recurring revenue of the business or expenses of each Board of Executive Officers, as determined for the period by the Board of Directors. If any of such indicators does not reach a minimum



of 90% of the target set for the period, there will be no bonus payment for the corresponding period. If the targets set are achieved between 90% and 99%, the pool will be proportionally reduced by 50% and 95%. If the target is reached or exceeded, the semiannual bonus pool may be distributed in full.

Once the bonus pool applicable to each half has been determined, the individual bonus is weighted according to the achievement of the individual targets of each executive officer, as such targets reflect the definitions of financial purposes, productivity, and the strategic priorities of the Company, measured through financial (such as recurring growth in revenue, costs and operating expenses), efficiency and project (associated with the growth of the Company in Management, Techfin and Business Performance aspects) indicators, client satisfaction (NPS) and people-related indicators (such as talent retention, engagement index). The chart below illustrates the calculation method:



The targets of each executive officer are determined individually according to his/her field of expertise. The targets of the Statutory Executive Officers can only be changed during the fiscal year for extraordinary reasons, and any adjustments must be reviewed by the Personnel and Compensation Committee and approved by the Board of Directors, as applicable.

The potential gain of the short-term incentive per half is associated with a multiple of the monthly base salary defined per level of career, at the sole discretion of the Board of Directors, as suggested by the Personnel and Compensation Committee, which assesses the competitive positioning of this compensation item towards the market, under the best market practices.



- *Long-term incentive (stock plan)*: assisted by the Personnel and Compensation Committee, the Board of Directors approves the members of the board of executive officers who can take part in the Plan and receive restricted shares issued by the Company, based on performance, subject to the terms and conditions of the Plan. The number of shares to be granted to each executive officer is fixed by the Board of Directors, based on the individual performance assessment, considering the best market practices, measured by the "9 Box" method, which takes into account the effective deliveries of each executive over the fiscal year, the adhesion to TOTVS core competencies and the potential future of contribution to the Company. According to the 9 box method, each Executive Officer is placed in a matrix with 9 squares, in which: (i) the X axis (50% weight) represents result indicators bound to the individual quantitative targets set for the year (indicators such as EBITDA, Revenue, Cost, among others), which measure the actual performance of the Executive Officer; and (ii) Y axis (50% weight) measures adherence to strategic business competencies (such as Operational Excellence, Innovation for Results, and Focus on Client Success, among others), and the potential that the executive officer has, according to the determined succession plan, to undertake greater challenges. As result of the assessment, the executive may receive a range between 0% and 133% of the number of shares of reference of his/her level of career. The result is submitted to the Personnel and Compensation Committee to be reviewed, and to the Board of Directors' final decision. In the interest of the Company and its shareholders, the Board of Directors may either terminate or discontinue the Plan, or even, review its conditions, provided this does not change the corresponding basic principles, especially the maximum limits to transfer restricted shares as approved by the general meeting. Further, the general meeting may approve a new share-based incentive plan of the Company, including in order to allow for the acquisition of shares in excess of the maximum limits approved in the present Plan.
- *Benefits*: the analysis of the benefit package is reviewed every year in view of the market practices found with the help of consultants specialized in the matter.

Board of Directors

The fixed compensation, paid 12 times a year, is reviewed every year in view of the market practices identified by expert consultants, and it is also submitted annually to the approval of the Company's shareholders.

The share-based variable compensation applicable to the chairman of the Board of Directors is managed by the Company's Board of Directors, supported by the Personnel and Compensation Committee. Both bodies consist one hundred percent (100%) of independent members, without any association with the organization or performance in any operation or transactions that have conflict of interest with TOTVS. These bodies have full authority to determine the number of restricted shares to be conferred to the chairman of the Board of Directors, in accordance with the quantitative limit of the plan, submitting the proposal to the General Meeting of Shareholders. The Board of Directors also discusses and reviews annually institutional and business targets associated with each granting, making them challenging and enforceable at the same time. The chairman of the Board of Directors does not take part in discussions within the scope of the Personnel and Compensation Committee or discussions and decisions of the Board of Directors related to his own compensation.

The benefits applicable to the Chairman of the Board of Directors are calculated and adjusted in the same manner as those applicable to the Board of Executive Officers.

Audit, Personnel and Compensation, Governance and Nomination, and Strategy Committees

The adequacy of fixed compensation and the compensation for participation in committees is reviewed every year in view of market practices determined by specialized consultants, and the corresponding amounts are annually submitted to shareholders' approval.

iv. reasons that justify the composition of the compensation



Statutory and Non-Statutory Board of Executive Officers

The established compensation items aim at ensuring parity with market practices and international standards, representing the strategy of attracting and retaining skilled professionals, as well as the sustainability of the Company's businesses, combining a fixed monthly compensation with the semi-annual variable compensation (short term) and the stock plan (long term), giving executives proper incentives regarding the Company's long-term performance. The variable compensation strategy bound to the Company's results aims at ensuring greater engagement, sense of ownership by the executives, incentive towards the Company's future performance and greater alignment of interests with shareholders. At the same time, it also aims at guaranteeing retention, especially in a technology sector that suffers global competition for talents and that has been experiencing significant cost inflation and a shortage of human resources. We understand that a critical factor for the Company's success is the ability to attract and retain its main executives and talents, and their compensation is an essential part of that.

Board of Directors

The Board of Directors' fixed compensation aims at ensuring parity with market practices and international standards, representing the strategy of attracting and retaining qualified professionals, as well as the sustainability of the Company's businesses, giving directors proper forms of compensation towards the Company's long-term performance.

It is worth mentioning that the current Chairman of the Board of Directors is the founder of the Company, having been holding the position of Chairman/CEO for more than 30 years. His level of knowledge, experience, and representativeness in the Company and towards other stakeholders (clients, partners, public and private entities, etc.) has great value for TOTVS, especially in these first years exercising the position of Chairman of the Board of Directors. Thus, we understand that his position is distinguished from the traditional position of a Chairman of the Board of Directors, as he has a distinguished set of skills, experiences and knowledge that make his contributions to the Board and to TOTVS relevant to the organization success. It is natural that there is an expected, desired adjustment of the role performed today during the next years, reflecting also his success as a mentor to the CEO. The Board of Directors, represented by all its independent members, will evaluate the duties every year and, accordingly, the proposal of compensation to the Chairman of the Board of Directors, reflecting this scenario and by means of the analysis of the best market practices.

Among the main skills of the present Chairman of the Board of Directors, we mention:

- i. Extensive and profound knowledge on the technology industry and the software market, enabling him to play a reference role towards the several stakeholders;
- ii. Sound interpersonal skills in institutional representation, organization and influence in strategic negotiations;
- iii. Skill to address in depth very complex topics related to the business and the industry, establishing a visionary leadership in the construction of TOTVS strategic orientation;
- iv. Efficient conduction of discussions at the Board, encouragement for engagement and search of decisions; and
- v. Development and empowerment of the CEO.

The following current activities inherent in the position of chairman of TOTVS Board of Directors are pointed out:

- i. keep relationship with shareholders for governance matters and strategic guidelines;
- ii. whenever necessary, represent the Company before the Government, domestic or international political authorities, market entities, regulatory agencies, multilateral and/or international bodies and international associations in which the Company participates; and
- iii. act as a spokesman of the Board of Directors, authorized to talk about Company's institutional matters and topics related to domestic and international stock markets.

We also consider that the practice of long-term incentive associated with performance metrics is aligned with the best international practices and the role of the Chairman of the Board, which is to ensure the company



sustainability, without interferences in the supervisory duties of the Board of Directors and without conflicts of interest. According to Korn Ferry's "2020 Boards of Directors Study", about 80% of U.S. companies perform ILP under the form of restricted shares to Board members, a practice increasing year after year in the Brazilian market. TOTVS, a global technology company, is one of the pioneers of this movement in Brazil.

Thus, with the purpose of ensuring their retention and dedication, in view of the scope of duties of the chairman of TOTVS Board of Directors, as set forth in the Bylaws of TOTVS Board of Directors, the share-based variable compensation strategy aims at guaranteeing more alignment of interests with the shareholders, and the grant of the benefits aims at ensuring parity with market practices applicable to positions with similar duties.

Audit, Personnel and Compensation, Governance and Nomination, and Strategy Committees

The compensation of directors and external members for taking part in committees aims at ensuring parity with market practices, representing the strategy of attracting and retaining qualified professionals, as well as the sustainability of the Company's businesses.

v. the existence of members unpaid by the issuer and the reason for that

All the members of the Statutory and Non-Statutory Board of Executive Officers, Board of Directors and advisory committees are paid, with exception of the executive officers concerning their occasional participation in advisory committees.

c. key performance indicators taken into consideration in determining each compensation item

The performance indicators selected by the Company to determine each one of the short- and long-term variable compensation elements of the Board of Directors and the Statutory Board of Executive Officers are related to the business and specific industry in which the company operates and, especially, applicable to the main value orientations.

Statutory and Non-Statutory Board of Executive Officers

The key performance indicators employed to determine the Short-Term Incentive are:

Program triggers: EBITDA and recurring revenue of the Company, as well the contribution margin and the recurring revenue of each business or expenses of any Board of Executive Directors, as defined by the Board of Directors for such period.

Individual target agreements:

- Financial indicators, such as recurring revenue, costs and operating expenses;
- Productivity, efficiency indicators and strategic projects associated with the Company growth in the Management, Techfin and Business Performance markets;
- Client satisfaction indicators (e.g.: NPS); and
- People-related indicators, such as talent retention and engagement index.

The performance indicators used by the Board of Directors to determine the number of shares to be granted within the scope of the Stock Plan (Long-Term Incentive) is based on the "9Box" method, as described in section 13.1(b) (i) and (iii) and summarized in the chart below:



results (50%)	1A On average 5% of the participants Deceleration of 33% of the ILP	2A On average 7.5% of the participants Acceleration of 10% of the ILP	3A On average 10% of the participants Acceleration of 33% of the ILP
	1B On average 5% of the participants 0% of the ILP	2B On average 45% of the participants 100% of the ILP	3B On average 7.5% of the participants Acceleration of 10% of the ILP
	1C On average 5% of the participants 0% of the ILP	2C On average 5% of the participants 0% of the ILP	3C On average 5% of the participants Deceleration of 33% of the ILP
	competencies (25%) + potential (25%)		

The same performance indicators used in the Short-Term Incentive and the Long-Term Incentive are considered by the Board of Directors, as suggested by the Personnel and Compensation Committee, for evaluation of any adjustments to the fixed compensation of each statutory executive officer.

There are no performance criteria related to the grant of benefits, whose set is the same for all executive officers. There may be differences in the amounts of benefits granted depending on the position and the region in which the executive officer works.

Board of Directors and Audit, Personnel and Compensation, Governance and Nomination, and Strategy Committees
The fixed compensation of Board of Directors and committee members is not based on performance indicators.

In accordance with the best market practices, the share-based compensation of the chairman of the Board takes into account long-term performance indicators that have:

(i) quantitative content – targets bound to the business, evaluating the assertiveness in the contribution to and performance of the Company's medium- and long-term strategy with the purpose of generating value for Company shareholders, including absolute and relative indicators, like the long-term performance of TOTVS shares at Ibovespa; and

(ii) qualitative content - targets bound to the CEO succession, making specific efforts aiming at positive, growing results in the process of his succession, strengthening as an industry and corporate leader in every aspect; the institutional role played by the chairman of the Board of Directors, acting with entities of the technology industry, whether on his own behalf or leading the Company's Institutional Relations, with TOTVS purpose, of being one of the benchmark companies in the construction of an ecosystem for technological growth and



innovation in Brazil; and the evaluation by the independent members of the Board of Directors about the quality of performance towards the proper operation of the Board.

d. the compensation is structured as follows to reflect the evolution of performance indicators

The compensation structure to reflect the evolution of performance indicators is described in section b. (iii).

e. how the compensation policy or practice is aligned with the Company's interests in the short, medium and long term

The items comprising the compensation policy are determined with the purpose of attracting, retaining, engaging professionals, in addition to creating a feeling of ownership of the professionals towards the Company, balancing elements that have short-, medium- and long-term metrics as parameters. The implementation of the Share-Based Incentive and Retention Plan has been increasing the relevance of the variable items in the total compensation composition, presented in section b. (ii), which also contributes significantly to a higher level of alignment of long-term interests.

f. existence of compensation borne by subsidiaries, controlled companies or direct or indirect controllers

There is no compensation of statutory management members borne by subsidiaries, controlled companies or direct or indirect controllers in the Company.

g. existence of any compensation or benefit bound to the occurrence of a certain corporate event, such as the disposal of issuer's controlling interest

Agreements with statutory executive officers provides for the payment of indemnities to them exclusively in the event that the removal of an executive officer takes place after certain relevant corporate changes, such as changes in the Company's control; acquisitions and/or subscriptions by third parties of shares representing 20% of the Company's capital stock; corporate reorganizations; or the decision to dissolve the Company.

In addition, the Chief Executive Officer will be entitled to receive the equivalent to 100% of the annual global compensation for the proportional period remaining to three (3) years, if, within such three (3) year period from November 2018, (i) a material corporate change occurs, and (ii) the Company terminates its agreement without a cause.

h. practices and procedures adopted by the board of directors to determine the individual compensation of the board of directors and the board of executive officers:

i. the issuer's bodies and committees that take part in the decision-making process, and how they take part in it

The Personnel and Compensation Committee is the body that provides the Board of Directors with support in the decision-making process bound to the preparation of the individual compensation proposal for the Board of Directors' and the Statutory Board of Executive Officers' members, by performing reviews of the best market practices and international standards. Both bodies consist one hundred percent (100%) of independent members, without any association with the organization or performance in any operation or transactions that have conflict of interest with TOTVS. The chairman of the Board of Directors does not take part in discussions within the scope of the Personnel and Compensation Committee or discussions and decisions of the Board of Directors related to his own compensation.

ii. criteria and methods used for setting individual compensation, pointing out whether studies are used to check market practices, and, if so, the comparison criteria and the scope of those studies



The criteria and methods used to define the individual compensation consider studies related to the best market practices, based on the results of surveys carried out by expert consultants, considering companies with a profile similar to that of the Company in size and structure.

iii. how often and how the board of directors assesses the adequacy of the issuer's compensation policy

Every year, the Personnel and Compensation Committee assesses the retention of Company's talents, which includes the review of the need for adapting the compensation practices adopted, including benefits, to the standards practiced in the market and, particularly, to the information technology market. If such committee deems it necessary and/or appropriate, adjustments are recommended to the Board of Directors. In addition, executives' targets, the achievement of which is decisive to determine the amount to be paid by the Company as variable compensation and the amount of restricted shares to be granted to such executives, under the terms of the Share-based Compensation Plan, are reviewed on an annual basis and confirmed by the Company's Board of Directors.



13.2 Compensation acknowledged in the result of the last 3 fiscal years and the one set forth for the current fiscal year, to the board of directors, the statutory board of executive officers and the audit committee

The tables below show information on the compensation of the Company's Board of Directors and Statutory Board of Executive Officers: (i) acknowledged in the result of the fiscal years ended on December 31, 2020, December 31, 2019 and December 31, 2018, considering the number of members of each body who actually received compensation; and (ii) set forth for the current fiscal year.

Proposal of total compensation for the current Fiscal Year (December 31, 2021) – Annual Amounts				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee*	Total
Total number of members	7.00	7.50	-	14.50
Number of paid members	7.00	7.50	-	14.50
Annual fixed compensation				
Salary or management compensation	3,381,243.73	8,292,805.49	-	11,674,049.22
Direct and indirect benefits	380,699.23	1,495,195.59	-	1,875,894.82
Participation in committees	1,174,779.61	-	-	1,174,779.61
Others	-	-	-	-
Description of other fixed compensations				
Variable compensation				
Bonus	-	5,723,800.27	-	5,723,800.27
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Others	-	-	-	-
Description of other variable compensations				
Post-employment	-	275,077.86	-	275,077.86
Termination of position	-	-	-	-
Share-based (including options)	4,487,100.00	25,076,560.30	-	29,563,660.30
Note	The number of members of each body was calculated as the annual average of each body, determined monthly, in accordance with the method presented in Official Letter/CVM/SEP/Nº2/2020.			
Total compensation	9,423,822.57	40,863,439.51	-	50,287,262.08

*The Company does not have an Audit Committee in operation.



Total compensation of the Fiscal Year ended on December 31, 2020 – Annual Amounts				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee*	Total
Total number of members	7.67	7.00	-	14.67
Number of paid members	7.67	7.00	-	14.67
Annual fixed compensation				
Salary or management compensation	3,452,224.00	7,472,519.96	-	10,924,743.96
Direct and indirect benefits	369,311.15	1,238,120.80	-	1,607,431.95
Participation in committees	1,010,995.20	-	-	1,010,995.20
Others	-	-	-	-
Description of other fixed compensations				
Variable compensation				
Bonus	-	3,579,074.14	-	3,579,074.14
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Others	-	-	-	-
Description of other variable compensations				
Post-employment	-	161,884.25	-	161,884.25
Termination of position	-	92,195.26	-	92,195.26
Share-based (including options)	2,139,000.00	15,025,297.32	-	17,164,297.32
Note	The number of members of each body was calculated as the annual average of each body, determined monthly, in accordance with the method presented in Official Letter/CVM/SEP/Nº2/2020.			
Total compensations	6,971,530.35	27,569,091.73	-	34,540,622.08

*The Company does not have an Audit Committee in operation.



Total compensation of the Fiscal Year ended on December 31, 2019 – Annual Amounts				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee*	Total
Total number of members	8.75	6.50	-	15.25
Number of paid members	8.75	6.50	-	15.25
Annual fixed compensation				
Salary or management compensation	3,667,777.50	6,397,958.01	-	10,065,735.51
Direct and indirect benefits	245,701.78	1,236,823.14	-	1,482,524.92
Participation in committees	956,214.90	-	-	956,214.90
Others	-	-	-	-
Description of other fixed compensations				
Variable compensation				
Bonus	-	5,334,000.00	-	5,334,000.00
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Others	-	-	-	-
Description of other variable compensations				
Post-employment	-	129,526.82	-	129,526.82
Termination of position	-	1,014,147.86	-	1,014,147.86
Share-based (including options)	769,600.00	7,803,629.42	-	8,573,229.42
Note	The number of members of each body was calculated as the annual average of each body, determined monthly, in accordance with the method presented in Official Letter/CVM/SEP/Nº2/2020.			
Total compensation	5,639,294.18	21,916,085.25	-	27,555,379.43

*The Company does not have an Audit Committee in operation.



Total compensation of the Fiscal Year ended on December 31, 2018 – Annual Amounts				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee*	Total
Total number of members	9.00	9.50	-	18.50
Number of paid members	8.17	9.50	-	17.67
Annual fixed compensation				
Salary or management compensation	2,646,697.51	10,839,218.40	-	13,485,915.91
Direct and indirect benefits	-	880,442.93	-	880,442.93
Participation in committees	620,288.20	-	-	620,288.20
Others	-	-	-	-
Description of other fixed compensations				
Variable compensation				
Bonus	-	3,160,896.96	-	3,160,896.96
Profit sharing	-	-	-	-
Attendance at meetings	-	-	-	-
Commissions	-	-	-	-
Others	-	-	-	-
Description of other variable compensations				
Post-employment	-	146,765.52	-	146,765.52
Termination of position	-	-	-	-
Share-based (including options)	-	3,724,983.56	-	3,724,983.56
Note	The number of members of each body was calculated as the annual average of each body, determined monthly, in accordance with the method presented in Official Letter/CVM/SEP/Nº2/2020.			
Total compensation	3,266,985.71	18,752,307.37	-	22,019,293.08

*The Company does not have an Audit Committee in operation.

For comparison purposes, we present in section 13.16 the details of the global annual compensation for fiscal year 2020 and the Compensation Proposal for fiscal year 2021.



13.3. Variable compensation of the last 3 fiscal years and the one set forth for the current fiscal year, to the board of directors, the statutory board of executive officers and the audit committee

The tables below show information on the variable compensation of the Company's Board of Directors and Statutory Board of Executive Officers: (i) acknowledged in the result of the fiscal years ended on December 31, 2020, December 31, 2019 and December 31, 2018, considering the number of members of each body who actually received variable compensation; and (ii) set forth for the current fiscal year.

Variable compensation set forth for the current fiscal year (2021)				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee	Total
Number of Members	7.00	7.50	-	14.50
Number of paid members	7.00	7.50	-	14.50
Bonus				
Minimum amount set forth in the compensation plan	-	1,430,950.07	-	1,430,950.07
Maximum amount set forth in the compensation plan	-	5,723,800.27	-	5,723,800.27
Amount set forth in the compensation plan, if the targets are achieved	-	5,723,800.27	-	5,723,800.27
Profit Sharing				
Minimum amount set forth in the compensation plan	-	-	-	-
Maximum amount set forth in the compensation plan	-	-	-	-
Amount set forth in the compensation plan, if the targets are achieved	-	-	-	-



Variable compensation – fiscal year ended on December 31, 2020				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee	Total
Number of Members	7.67	7.00	-	14.67
Number of paid members	7.67	7.00	-	14.67
Bonus				
Minimum amount set forth in the compensation plan	-	1,197,233.86	-	1,197,233.86
Maximum amount set forth in the compensation plan	-	4,788,935.43	-	4,788,935.43
Amount set forth in the compensation plan, if the targets were achieved	-	4,788,935.43	-	4,788,935.43
Amount actually acknowledged in the result of the fiscal year	-	3,579,074.14	-	3,579,074.14
Profit Sharing				
Minimum amount set forth in the compensation plan	-	-	-	-
Maximum amount set forth in the compensation plan	-	-	-	-
Amount set forth in the compensation plan, if the targets were achieved	-	-	-	-
Amount actually acknowledged in the result of the fiscal year	-	-	-	-



Variable compensation – fiscal year ended on December 31, 2019				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee	Total
Number of Members	8.75	6.50	-	15.25
Number of paid members	8.75	6.50	-	15.25
Bonus				
Minimum amount set forth in the compensation plan	-	667,463.80	-	667,463.80
Maximum amount set forth in the compensation plan	-	8,009,565.56	-	8,009,565.56
Amount set forth in the compensation plan, if the targets were achieved	-	5,339,710.37	-	5,339,710.37
Amount actually acknowledged in the result of the fiscal year	-	5,334,000.00	-	5,334,000.00
Profit Sharing				
Minimum amount set forth in the compensation plan	-	-	-	-
Maximum amount set forth in the compensation plan	-	-	-	-
Amount set forth in the compensation plan, if the targets were achieved	-	-	-	-
Amount actually acknowledged in the result of the fiscal year	-	-	-	-



Variable compensation – fiscal year ended on December 31, 2018				
	Board of Directors	Statutory Board of Executive Officers	Audit Committee	Total
Number of Members	9.00	9.50	-	18.50
Number of paid members	8.17	9.50	-	17.67
Bonus				
Minimum amount set forth in the compensation plan	-	972,841.94	-	972,841.94
Maximum amount set forth in the compensation plan	-	11,674,103.34	-	11,674,103.34
Amount set forth in the compensation plan, if the targets were achieved	-	7,782,735.56	-	7,782,735.56
Amount actually acknowledged in the result of the fiscal year	-	3,160,896.96	-	3,160,896.96
Profit Sharing				
Minimum amount set forth in the compensation plan	-	-	-	-
Maximum amount set forth in the compensation plan	-	-	-	-
Amount set forth in the compensation plan, if the targets were achieved	-	-	-	-
Amount actually acknowledged in the result of the fiscal year	-	-	-	-



13.4. Share-based compensation plan of the board of directors and the statutory board of executive officers, in force in the latest fiscal year and set forth for the current fiscal year

The Company presently has a share-based compensation plan in force hereinafter referred to as "Plan 2", approved at a Meeting on December 15, 2015 and amended at a Meeting on April 5, 2018 and April 18, 2019. The granting proposal for 2021 is based exclusively on the scope of this plan. The previous plan, hereinafter referred to as "Plan 1", approved at a Meeting on November 29, 2012, does not have new grants, and its last fiscal years were ended in 2020.

The Company Management proposes to approve a new Share-Based Incentive Plan ("New Plan") at an Extraordinary General Meeting of April 20, 2021, in accordance with the information supplied in the Management Proposal. The Management intends to make the grants within the scope of the New Plan as of 2022 and terminate the Plan in force today ("Plan 2"), without prejudice to the performance-by the Company-of the remaining obligations as regards the grants already made.

As approved at the Extraordinary General Meeting ("EGM") held on April 27, 2020, for comparison purposes, the values mentioned in plans "1" and "2", in the sections below, consider the split of all the shares issued by the Company, at the ratio of one common share to three shares of the same kind, without changes in the capital stock.

DESCRIPTION OF PLAN 1

a. general terms and conditions of the plan

The TOTVS Stock Option Plan ("Plan 1") is managed by the Board of Directors, which is exclusively responsible for:

- (i) determining the Beneficiaries of each type of option and eligibility for the Partner Program;
- (ii) determining the total number of options of each type subject of such granting, as well as the number of options of each type which each Beneficiary will be individually entitled to;
- (iii) determining performance-related targets to set forth criteria for choosing Beneficiaries, as well as determining the number of options to be granted to each Beneficiary;
- (iv) determining the form and payment term for the exercise price of such options;
- (v) changing the terms and conditions of the options granted in the event of any change in the applicable laws;
- (vi) proposing changes to the Plan to be submitted for approval by the Company's General Meeting;
- (vii) giving the Company's Board of Executive Officers consent to execute the Option Agreements with the Beneficiaries of the Plan, as well as the Share Subscription Agreements and any amendments, whenever necessary; and
- (viii) deciding the omitted cases, observing the general guidelines of the Plan and the applicable legal provisions.

The Plan is valid for 60 months immediately after its approval by the Company's General Meeting, remaining in force until the expiration of the Exercise Period or Effective Period of the outstanding Options.

The main characteristics of Plan 1 are listed below:

- *Participants:* Management members and employees of the Company, who are members of the Company's Executive Committee, hold positions as Directors or Executive Officers, or are employees of the Company and its controlled companies who, at the discretion of the Board of Directors, have stood out for contributing significantly to the performance of the Company, or whose hiring or retention is of vital importance for the good performance of the Company's plans and strategies;
- *Granting of Regular Options bound to the acquisition of shares:* to the beneficiary acquiring TOTVS' shares with funds corresponding to amounts received as profit-sharing distribution (PLR) in a given fiscal year



and that undertakes to maintain them for the Lock-up period to receive options, options called Regular Options will be granted;

- *Vesting term ("Grace Period")*: the options will be mature 3 years from the date of granting the options;
- *Exercise period*: the participants can exercise the options within 2 years from the end of the vesting period, that is, up to 5 years from the granting;
- *Lock-up period on Shares to receive Regular Options*: the shares acquired under Plan 2, to be entitled to receive Regular Options, cannot be disposed of for 2 years. On their turn, those shares acquired in result of exercising the Regular Options, are not subject to such rule forbidding them to be disposed of;
- *Granting of Restricted Options bound to the acquisition of shares*: to the beneficiary acquiring TOTVS' shares by investing an amount corresponding to 100% of the amount received in a certain fiscal year as profit-sharing distribution (PLR), and that undertakes to keep them for the Lock-up period to receive Restricted Options, options called Restricted Options will be granted. Restricted Options are intended for approximately 20% of beneficiaries of Regular Options, which are part of the so-called "Partner Program";
- *Exercise of Restricted Options*: Restricted Options may be exercised upon proof of the exercise of Regular Options; and
- *Lock-up period on Shares resulting from the exercise of Restricted Options*: those shares acquired through the exercise of Restricted Options cannot be disposed of for 1 year from the exercise.

b. main purposes of the plan

The Option-based Incentive Plan ("Plan 1") aims at setting forth rules so that certain employees and management members of the company or other companies under its control ("Beneficiaries") can acquire shares issued by them by granting a Stock Option Purchase plan, aiming, thus, at aligning in the medium and long term the interests of the Beneficiaries with those of the shareholders, expanding the sense of ownership and commitment of the executives through the concept of investment and risk, binding the granting of long-term incentives with the short-term result of the Company and the executive, and introducing the "Partner Program" concept, which reinforces the retention power of a selected strategic group.

c. how the plan contributes to achieve such purposes

The Plan contributes to such purpose to the extent that it creates a bond between the compensation of eligible beneficiaries and the Company's performance, as the greater the benefit, the better the performance of the Company and its reflection on the appreciation of its share price.

Eligible people tend to become more motivated by the possibility of increasing their compensation in the long run and to work in line with market and shareholders' expectations, trying to make decisions not only for their own benefit, but for the benefit of the organization as a whole.

d. how the plan fits into the issuer's compensation policy

The plan aimed to supplement the compensation of eligible beneficiaries, as it adds a long-term compensation element [for more information, see section 13.1 (b)], since the eligible beneficiary, to become a holder of the Regular Options, must invest the percentage of the amount received in the exercise as Bonus/PLR (profit sharing distribution), net of income tax, which may be 50% or 100%. The percentage of the amount received in the fiscal year as Bonus/PLR invested will be considered as a criterion to determine the number of Regular Options to be granted by the Company to the Beneficiary, and to participate in the Partner Program and become a holder of Restricted Options must be 100%.

The plan also has the effect of retaining talents in an increasingly competitive market, in addition to creating incentives to provide greater motivation to beneficiaries.



e. how the plan aligns the interests of management members and the issuer in the short, medium, and long term

Plan 1 was part of the compensation strategy for management members, adding a long-term element in which the Beneficiary wishing to exercise his/her options may exercise them for a two-year period beginning on the day after the end of the Grace Period, considering that the exercise price of the Options will be the price for which Shares issued by the Company will be acquired.

The Options will be valid for five years from their granting, after which they will be extinguished.

Another important element is the one best described in section 13.4(n), since the termination of the eligible beneficiary for cause extinguishes the options granted that have not yet been exercised by the date of his/her termination, exceptions made with the specific approval by the Board of Directors. Accordingly, both the reservation of rights and the dismissal of the employee require, in different ways, that the professional behavior of the eligible persons is not opportunistic and is oriented to longer periods of time. This is because, in the short term, their compensation will not be increased by the variable part composed of stock options and, in the medium term, a low level of performance by the employee may result in termination or decrease in the Company's share price.

f. maximum number of shares covered

The total number of Shares to be allotted to the Plan could not exceed two point five percent (2.5%) of the Company's capital stock within four years (counted from the date of approval of the Plan by the Company's General Meeting).

For the purposes of such limit, all Options granted based on the Plan will be considered, as well as the Shares already acquired or subscribed by the respective Beneficiaries as result of the Plan, regardless of being under their possession.

In order to perform the exercise of Options granted under the terms of the Plan, the Company could issue new shares within the limit of authorized capital, excluding the preemptive right of the current Company shareholders, as allowed for by Article 171, paragraph 3 of Law 6404 of December 15, 1976, as amended.

g. maximum number of options to be granted

The total number of Shares to be allotted to the Plan could not exceed two point five percent (2.5%) of the Company's capital stock within four years (counted from the date of approval of the Plan by the Company's General Meeting).

h. conditions for share acquisition

For Regular Options, the market price of the Share at the time of granting the Option applies, so determined based on the average of the closing prices of the last five trading days prior to the Granting Date.

The exercise price of the Restricted Options will be the fulfillment of the obligation to do, consisting in the acquisition of Shares issued by the Company with an investment of 100% of the amount received by the Beneficiary in the previous fiscal year as Bonus/PLR (profit sharing distribution), net of income tax, and by keeping the ownership of such Shares unchanged for the Lock-up Period.

i. criteria for setting the acquisition or strike price

The strike price is determined based on the unit value of TOTVS' shares and corresponds to the arithmetic average of their prices in the 5 trading days prior to the granting date.



j. criteria for determining the term of exercise

Regular Options may be exercised for up to 24 months after the Grace Period, established at 36 months, and Restricted Options may only be exercised after the Grace Period and upon proof of the exercise of Regular Options. Only full batches of Options may be exercised, and fractional exercise of only part of a grant cannot be performed.

k. settlement method

The strike price must be paid in cash, upon subscription or purchase of the corresponding shares. The Company uses treasury stock to comply with the exercise of stock option rights.

l. restrictions to transfer shares

The shares acquired for the beneficiary to be entitled to receive Regular Options cannot be disposed of for 2 years. On their turn, those shares acquired as result of exercising Regular Options are not subject to such rule forbidding their disposal. Besides, shares acquired through the exercise of Restricted Options will remain forbidden to be disposed of for 1 year from the exercise of the option.

m. criteria and events that, when found, cause suspension, change, or termination of the plan

The General Meeting of Shareholders is responsible for amending, suspending, or extinguishing the Plan, especially in the event of facts implying a significant change in the economic scenario that could compromise the Company's financial situation.

The granting of Options under the Plan does not prevent the Company from engaging in transactions of disposal of control and operations of corporate reorganization, such as conversion, merger, consolidation and spin-off.

If the Company is dissolved, liquidated, or adjudicated bankrupt, the options will be automatically extinguished, and all effects thereof will cease to have effect for all legal purposes, without prejudice to any provision otherwise in the Plan.

n. consequences in case the management member leaves the issuer's bodies, about his/her rights provided for in the share-based compensation plan

In case the beneficiary leaves the Company for any reason, either at the initiative of the Beneficiary or at the initiative of the Company, with or without cause, the following rules apply: (a) the Lock-up Period that applied to the Shares acquired directly through the investment of the Beneficiary's profit-sharing distribution (PLR) will cease to exist, and the Shares will be immediately released to be sold; (b) the Lock-up Period for Shares Acquired with Restricted Options will continue to elapse normally; (c) Mature Options may be exercised for three months from such date of the beneficiary's Termination, after which they will be extinguished; and (d) Options still in the Grace Period will be extinguished. Any exceptions to this rule must be approved by the Company's Personnel and Compensation Committee.

In case of death, permanent disability or retirement of the beneficiary, the following rules apply: (i) the Lock-up Period that applied to the Shares acquired directly through the investment of the Beneficiary's profit-sharing distribution (PLR) will cease to exist, and the Shares will be immediately released to be sold; (ii) the Lock-up Period for Shares acquired with Restricted Options will cease to exist; and (iii) the Grace Period will be eliminated, and the Options may be exercised immediately, during the Option Exercise Period or the Effective Term of the Options.



DESCRIPTION OF PLAN 2

a. general terms and conditions of the plan

The Share-Based Incentive and Retention Plan approved at the Company's Extraordinary General Meeting held on December 15, 2015 was amended, as approved at the meetings held on April 5, 2018 and April 18, 2019 to improve its concepts, effectiveness, and simplicity, focusing on the central and most critical aspects.

The Plan is managed by the Company's Board of Directors, with the support of the Personnel and Compensation Committee, which has the authority to manage it, having, among other, the required powers to, subject to the terms and conditions of the Plan:

- (i) decide on any and all measures connected to the management of the Plan, and to construe and apply the general rules provided for herein;
- (ii) select, from among the persons eligible to take part in the Plan;
- (iii) determine the number of Restricted Shares to be granted to each Participant;
- (iv) decide on the acquisition of Shares by the Company itself, as required;
- (v) approve the Agreement to be entered into between the Company and each of the Participants;
- (vi) change the Grace Periods, as well as the other terms and conditions of the Agreement to the extent that the rights of the Participants arising from or connected to the Plan are not impaired, being excluded from such limitation any adaptations that may be performed by the Board of Directors due to changes made in the applicable legislation;
- (vii) review exceptional cases arising from or related to the Plan; and
- (viii) settle doubts regarding the interpretation of the general rules set forth in the Plan and to address omitted cases.

No Participant will have any of the rights and privileges of a Company's shareholder, including to receive dividends, interest on own equity, and other earnings until the date of the effective transfer of the Restricted Shares.

The Plan, as amended, came into force on the date of its approval by the Company's General Meeting held on April 18, 2019 and shall remain in force until December 14, 2025.

The main characteristics of Plan 2 are listed below:

- *Shares*: means the common shares issued by the Company.
- *Restricted Shares*: means the common shares issued by the Company to be delivered to the Participant, strictly under the terms and conditions set forth in the Plan and the Agreement.
- *Grace Period of the Regular Program*: means, as regards the Regular Program, the grace period of 3 (three) years from the Date of Granting of Restricted Shares, after which the Participant will acquire the right to become the holder of the Restricted Shares and the Company will be required to transfer the Restricted Shares to the Participant under the terms of the Agreement.
- *Grace Period of the Partners Program*: means, as regards the Partner Program, the grace period of 3 (three) years from the Date of Granting of Restricted Shares, after which the Participant will be entitled to become holder of the Restricted Shares and the Company will be required to transfer the Restricted Shares to the Participant under the terms of the Agreement.



- *Regular Program:* means a part of the Plan composed of: (i) Executive Program - for which employees and managers of the Company and/or of the controlled companies or subsidiaries of the Company, who are considered executive officers of the Company, will be eligible based on assessment and performance; and (ii) Highlights of the Year Program - for which employees of the Company and/or of the Company's controlled or subsidiary companies who are not executive officers and are considered 'highlights of the year' based on assessment and performance will be eligible; all of them shall be appointed by the Personnel and Compensation Committee and approved by the Company's Board of Directors, at its sole and exclusive discretion.
- *Partners Program:* means a part of the Plan to which they may be invited to join, as nominated by the Personnel and Compensation Committee and election made by the Company's Board of Directors at its sole discretion, based on individual and corporate assessment methods and performance, potential, career plan, and degree of bond with the Company, certain employees and managers of the Company and/or of the Company's controlled or subsidiary companies.

b. main purposes of the plan

"Plan 2" has as purpose to: (i) set forth some rules so that Participants can receive Shares without having to pay a price for them; (ii) increase the alignment of interests of Participants in the medium and long term with the shareholders' interests, increasing the Participants' sense of ownership and commitment through the concepts of investment and risk; and (iii) strengthen the Participants' incentives for long-term permanence and stability, within the context of a publicly-held company.

c. how the plan contributes to achieve such purposes

The granting of Restricted Shares within the scope of the Plan allows Participants to feel encouraged to become shareholders of the Company, based on meritocracy criteria, considering criteria of individual assessment and performance (9Box method), potential and bond with the Company and/or its subsidiaries or controlled companies, besides the Participant's impact on the present and future businesses of the Company. Further details are provided in section 13 (b) iii. As a result, Participants will be encouraged to perform their activities to the best interest of the Company and, accordingly, of its shareholders, generating value for the Company. At the same time, the granting of Restricted Shares within the scope of the Plan is structured in a way to allow for the potential gains arising from the sale of such shares to be achieved, if applicable, in the long term, as determined by the Board of Directors, and if the Participant remains bound to the Company and/or to the Company's controlled or subsidiary companies, this will work to encourage his/her permanence, with the purpose of retaining the senior managers and employees of the Company and its controlled or subsidiary companies.

d. how the plan fits into the issuer's compensation policy

The focus on long-term variable compensation aims at following market practices and offering attractive packages that, in turn, care about the Company's interests in the most efficient way. The Plan aims at strengthening the focus on such form of compensation, offering the possibility of even more attractive returns, and on the other hand requiring a strong demonstration of commitment by the Participants in creating value for the Company and its shareholders.

e. how the plan aligns the interests of management and the issuer in the short, medium, and long term

Through the Plan, the Company seeks to stimulate improvement in its management, aiming at gains by commitment to long-term results. Improvement results and appreciation of shares issued by the Company, in turn, maximize the gains of Participants as investors together with the other shareholders of the Company.

In addition, the existence of grace periods makes Participants to commit to the constant appreciation of the Company in the short, medium, and long term.



f. maximum number of shares covered

The maximum number of Restricted Shares to be granted to Participants under the Plan may not exceed Restricted Shares corresponding to 5.68% (five integers and sixty-eight hundredths percent) of the Company's total capital stock, being included in this limit the grants carried out under the Share-based Incentive and Retention Plan approved at the General Meeting held on December 15, 2015. Such dilution is in line with the context of the industry in which TOTVS is inserted in Brazil, considering its size, equity structure, historical growth and future potential, financial condition, and historical payment practices for performance.

g. maximum number of options to be granted

Not applicable, as the new plan does not include stock options.

h. conditions for share acquisition

Regular Program. Participants will be entitled to receive the Regular Program Restricted Shares, and the Company will have the obligation to transfer such Regular Program Restricted Shares at the end of the Regular Program grace period, according to the procedures to be provided for in the Agreement, terms and conditions of the Plan.

Partners Program. As regards the Partners Program, Participants will be entitled to receive the Restricted Shares of the Partners Program, and the Company will have the obligation to transfer title to such Restricted Shares of the Partners Program at the end of the grace period of the Partner Program, provided, however, that the Participant has an amount corresponding to 12 (twelve) fixed monthly salaries invested in the Company's shares between the date of granting the Restricted Shares (date of execution of the Agreement) and the date of delivery of the Restricted Shares, continuously and uninterruptedly.

A Participant who does not keep such amount equivalent to 12 (twelve) fixed monthly salaries invested in the Company's shares, in a continuous and uninterrupted way, after the date of the effective delivery of the Restricted Shares will not be eligible for future granting of Restricted Shares of the Partners Program of the Company.

For current Participants in the Partners Program and for Participants eligible to the Partners Program in fiscal year 2018, the amount equivalent to 12 (twelve) fixed monthly salaries invested in Company shares may be reached by the corresponding Participant in up to 3 (three) years counted from the date of granting the Restricted Shares of the Partners Program for fiscal year 2018, or based on another criterion as may be set by the Board of Directors.

i. criteria for setting the acquisition or strike price

This is not a stock option plan pursuant to Article 168, Paragraph 3 of the Brazilian Corporations Act, but instead, a compensation plan based on Restricted Shares that will be directly delivered to the Participants.

The reference price for calculating the number of Restricted Shares to be delivered under the Plan will correspond to the average closing price of the Company's shares in the thirty (30) trading sessions prior to the date of the effective delivery of Restricted Shares to the Participant, or to such another amount set under criteria determined by the Board of Directors that reflect the market value of the Shares.

j. criteria for setting the exercise period

Not applicable. This is not a stock option plan pursuant to Article 168, Paragraph 3 of the Brazilian Corporations Act, but instead a compensation plan based on Restricted Shares that will be directly delivered to the Participants. After the grace period of 3 (three) years from the date of grant of the restricted shares, the Participant will acquire the right to become the holder of the Restricted Shares and the Company will be required to transfer the Restricted Shares to the Participant.



k. settlement method

The Plan has, among others, the purpose of granting Restricted Shares to certain Participants, without any financial consideration from them. The Company's obligation to transfer restricted shares under the Plan is: (i) subject to the execution of a Restricted Shares Granting Agreement and Other Covenants with each of the Participants; and (ii) subject to the continuation of the employment relationship and/or statutory bond, as the case may be, of each Participant with the Company until the end of the applicable grace periods.

Accordingly, once the requirements set forth in the Plan are met, the Participant will be entitled to receive such Restricted Shares, and the Company's management will be responsible for taking all necessary measures to formalize the corresponding transfer to him/her.

l. restrictions to transfer shares

Subject to the continuation of the employment agreement and/or statutory bond, as the case may be, between the Participant and the Company and/or the Company's controlled or subsidiary companies until the end of the applicable Grace Period and the rules contained in each Agreement, the Restricted Shares will be transferred by the Company to the Participant within 30 (thirty) days from the end of the Grace Period, as applicable, as well as under the terms of the Agreement.

m. criteria and events that, when found, will cause suspension, change, or termination of the plan

The Board of Directors, in the best interest of the Company and its shareholders, may terminate or suspend the Plan, or even review the conditions of the Plan, provided, however, that it does not change the corresponding basic principles, especially the maximum limits for the transfer of Restricted Shares as approved by the General Meeting. The General Meeting may also approve a new incentive plan based on the Company's shares, also to allow the acquisition of shares that exceed the maximum limits approved in the Plan.

The Board of Directors may also provide for particular treatment for special cases and situations during the term of the Plan, provided, however, that the rights already granted to the Participants and the basic principles of the Plan are not affected. Such particular treatment will not constitute a precedent able to be claimed by other Participants.

n. consequences in case the manager leaves the issuer's bodies, about his/her rights provided for in the share-based equity compensation plan

None of the Plan provisions may be construed as constituting rights to Participants who are employees and/or statutory officer, as the case may be, in addition to those inherent to Restricted Shares, nor will any provision confer rights to the Participants regarding the guarantee to be maintained as an employee and/or statutory officer of the Company and/or with controlled companies or subsidiaries of the Company, or in any way will it interfere with the right of the Company, subject to the legal conditions and those arising from the employment agreement or management contract (in the case of statutory Participants not bound by an employment agreement), to terminate at any time the relationship with the Participant

In the event of any Termination by the Participant on his/her own initiative at any time during the Grace Periods, the Participant will no longer be entitled to the right of receiving restricted shares. Notwithstanding, the Participant will retain his/her title to any restricted shares in the Regular Program and to Restricted Shares in the Partners Program that are already owned by him/her after the lapse of the Grace Period.

In case of Termination of the Participant at the Company's initiative without a cause, the Participant will be entitled to receive half of the Restricted Shares if more than 2 (two) years of the applicable Grace Period have elapsed. The Participant will lose the right to receive all other Restricted Shares in the Regular Program and/or the Partners Program.



In the event of termination for cause of the Participant, the Participant will lose the right to receive all restricted shares that have not been transferred by the time of such termination, regardless of the program applicable to the Participant.

In the event of the Participant's death, disappearance, or permanent disability, all grace periods will be considered elapsed in advance, at the time of the Participant's death, disappearance, or disability.



13.5 Share-based compensation accounted for on the financial result of the last 3 fiscal years and also the compensation planned for the current fiscal year to the Board of Directors and the Board of Executive Officers

The tables below show information on the share-based compensation of the Board of Directors and the Company's Statutory Board of Executive Officers: (i) recognized in the results for the fiscal years ended on December 31, 2020, December 31, 2019 and December 31, 2018, considering the number of members of each body to which share-based compensation was effectively attributed; and (ii) expected for the current fiscal year.

As informed in section 13.4, on April 27, 2020 the EGM approved the split-up of all shares issued by the Company, in the proportion of one common share to three shares of the same type, without changing the capital stock; the amounts mentioned herein already reflect such effect for all grants and concessions, for comparison purposes.

TABLES RELATING TO "PLAN 1":

Share-based compensation - fiscal year ended on Dec. 31, 2018:

	Board of Directors	Statutory Board of Executive Officers
Total number of members	9.00	9.50
Number of paid members	-	9.50
Weighted average strike price:		
<i>(a) of the outstanding options at the beginning of the fiscal year</i>	-	12.58
<i>(b) of options lost during the fiscal year</i>	-	-
<i>(c) of options exercised during the fiscal year</i>	-	11.17
<i>(d) of options expired during the fiscal year</i>	-	13.69
Potential dilution in case of exercise of all options granted	-	0.8%

Share-based compensation - fiscal year ended on Dec. 31, 2019:

	Board of Directors	Statutory Board of Executive Officers
Total number of members	8.75	6.50
Number of paid members	-	5.00
Weighted average strike price:		
<i>(a) of the outstanding options at the beginning of the fiscal year</i>	-	11.28
<i>(b) of options lost during the fiscal year</i>	-	-
<i>(c) of options exercised during the fiscal year</i>	-	10.14
<i>(d) of options expired during the fiscal year</i>	-	11.02
Potential dilution in case of exercise of all options granted	-	0.5%



Share-based compensation - fiscal year ended on Dec. 31, 2020:

	Board of Directors	Statutory Board of Executive Officers
Total number of members	7.67	7.00
Number of paid members	-	5.00
Weighted average strike price:		
<i>(a) of the outstanding options at the beginning of the fiscal year</i>	-	11.87
<i>(b) of options lost during the fiscal year</i>	-	-
<i>(c) of options exercised during the fiscal year</i>	-	11.87
<i>(d) of options expired during the fiscal year</i>	-	-
Potential dilution in case of exercise of all options granted	-	0.6%

For the current fiscal year (2021), there are no more options open under "Plan 1", as explained in section 13.4.

Information on each grant recognized in the financial result of the last 3 fiscal years and the current fiscal year:

TABLES REGARDING "PLAN 2":

2018

Granting (21) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	9.00	9.50
Number of paid members	-	9.50
Date of granting	-	May 4, 2018
Number of shares granted	-	316,388
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	June 4, 2021
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	9.84
Potential dilution in case of transfer of all shares granted	-	0.06%

Granting (22) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	9.00	9.50
Number of paid members	-	9.00
Date of granting	-	May 4, 2018
Number of shares granted	-	892,125
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	June 4, 2021
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	9.84
Potential dilution in case of transfer of all shares granted	-	0.15%



Granting (23) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	9.00	9.50
Number of paid members	-	1.00
Date of granting	-	Nov. 26, 2018
Number of shares granted	-	73,035
Grace period for transfer of shares	-	18 Months
Maximum term for transfer of shares	-	06/26/2020
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	8.31
Potential dilution in case of transfer of all shares granted	-	0.01%

Granting (24) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	9.00	9.50
Number of paid members	-	1.00
Date of granting	-	Nov. 26, 2018
Number of shares granted	-	73,035
Grace period for transfer of shares	-	6 months
Maximum term for transfer of shares	-	06/26/2019
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	8.40
Potential dilution in case of transfer of all shares granted	-	0.01%



2019

Granting (25) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	8.75	6.50
Number of paid members	1.00	6.00
Date of granting	Apr. 26, 2019	Apr. 26, 2019
Number of shares granted	270,000	567,375
Grace period for transfer of shares	3 years	3 years
Maximum term for transfer of shares	05/26/2022	05/26/2022
Restricted term for the transfer of shares	n/a	n/a
Fair value of shares on the granting date *	12.83	12.83
Potential dilution in case of transfer of all shares granted	0.05%	0.1%

Granting (26) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	8.75	6.50
Number of paid members	-	6.00
Date of granting	-	Apr. 26, 2019
Number of shares granted	-	280,875
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	05/26/2022
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	12.83
Potential dilution in case of transfer of all shares granted	-	0.05%



2020

Granting (27) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	7.67	7.00
Number of paid members	1.00	7.00
Date of granting	April 27, 2020	April 27, 2020
Number of shares granted	270,000	827,625
Grace period for transfer of shares	3 years	3 years
Maximum term for transfer of shares	May 27, 2023	May 27, 2023
Restricted term for the transfer of shares	n/a	n/a
Fair value of shares on the granting date *	16.41	16.41
Potential dilution in case of transfer of all shares granted	0.05%	0.14%

Granting (28) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	7.67	7.00
Number of paid members	-	7.00
Date of granting	-	April 27, 2020
Number of shares granted	-	407,625
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	May 27, 2023
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	16.41
Potential dilution in case of transfer of all shares granted	-	0.07%



2021 (estimates)

Granting (29) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	7.00	7.50
Number of paid members	1.00	7.00
Date of granting	May 5, 2021	May 5, 2021
Number of shares granted	270,000	387,900
Grace period for transfer of shares	3 years	3 years
Maximum term for transfer of shares	June 5, 2024	June 5, 2024
Restricted term for the transfer of shares	n/a	n/a
Fair value of shares on the granting date *	To be determined	To be determined
Potential dilution in case of transfer of all shares granted	0.05%	0.07%

Granting (30) of restricted shares	Board of Directors	Statutory Board of Executive Officers
Total number of members	7.00	7.50
Number of paid members	-	7.00
Date of granting	-	May 5, 2021
Number of shares granted	-	787,050
Grace period for transfer of shares	-	3 years
Maximum term for transfer of shares	-	June 5, 2024
Restricted term for the transfer of shares	-	n/a
Fair value of shares on the granting date *	-	To be determined
Potential dilution in case of transfer of all shares granted	-	0.13%

** The fair value of the shares is determined based on the market share value on the grant date, less the expected dividend for the grace period, since the beneficiaries are not entitled to receive it.*



13.6. Outstanding shares of the board of directors and statutory board of executive officers at the end of the previous fiscal year

The table below presents information on the outstanding shares of the Company's Board of Directors and Statutory Board of Executive Officers at the end of the previous fiscal year.

TABLE REGARDING "PLAN 2"

Body name	Statutory Board of Executive Officers	Statutory Board of Executive Officers	Board of Directors	Statutory Board of Executive Officers	Statutory Board of Executive Officers	Board of Directors	Statutory Board of Executive Officers	Statutory Board of Executive Officers
Granting	21st grant	22nd grant	25th grant	25th grant	26th grant	27th grant	27th grant	28th grant
Number of Members	9.50	9.50	8.75	6.50	6.50	7.67	7.00	7.00
Number of paid members	6.00	6.00	1.00	6.00	6.00	1.00	7.00	7.00
Date of granting	May 4, 2018	May 4, 2018	Apr. 26, 2019	Apr. 26, 2019	Apr. 26, 2019	April 27, 2020	April 27, 2020	April 27, 2020
Outstanding shares								
<i>Quantity</i>	212,439	712,125	270,000	567,375	280,875	270,000	827,625	407,625
<i>Grace period of shares</i>	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
<i>Maximum term for transfer of shares</i>	June 4, 2021	June 4, 2021	05/26/2022	05/26/2022	05/26/2022	May 27, 2023	May 27, 2023	May 27, 2023
<i>Restricted term for the transfer of shares</i>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<i>Reference price of restricted shares</i>	10.08	10.08	13.40	13.40	13.40	17.00	17.00	17.00
<i>Fair value of shares at the last day of the fiscal year</i>	9.84	9.84	12.83	12.83	12.83	16.41	16.41	16.41
<i>Fair value of total shares at the last day of the fiscal year</i>	2,090,399.76	7,007,310.00	3,463,200.00	7,277,530.00	3,602,690.00	4,430,700.00	13,581,326.25	6,689,126.25

As informed in section 13.4, on April 27, 2020 the EGM approved the split-up of all shares issued by the Company, in the proportion of one common share to three shares of the same type, without changing the capital stock; the amounts mentioned hereinabove already reflect such effect for all grants.



13.7 Options exercised and shares delivered connected to the share-based compensation plan of the Board of Directors and Statutory Board of Executive Officers in the past 3 fiscal years

The tables below show information on the options exercised and shares delivered concerning the share-based compensation of the Board of Directors and the Company's Statutory Board of Executive Officers, in the fiscal years ended on December 31, 2020, December 31, 2019 and December 31 2018.

The options exercised refer to "Plan 1" and the shares delivered refer to "Plan 2".

Exercised options and delivered shares - fiscal year ended Dec. 31, 2020		
	Board of Directors	Statutory Board of Executive Officers
Number of Members	7.67	7.00
Number of paid members	-	6.00
Exercised Options		
Number of Shares	-	91,785
Weighted average strike price	-	11.87
Difference between the exercise amount and the market value of shares connected to options exercised	-	8.41
Shares delivered		
Number of shares delivered	-	777,799
Weighted average acquisition price	-	13.11
Difference between the acquisition price and the market value of shares acquired	-	11.48



Exercised options and delivered shares - fiscal year ended Dec. 31, 2019		
	Board of Directors	Statutory Board of Executive Officers
Number of Members	8.75	6.50
Number of paid members	-	6.5
Exercised Options		
Number of Shares	-	192,213
Weighted average strike price	-	10.14
Difference between the exercise amount and the market value of shares connected to options exercised	-	3.21
Shares delivered		
Number of shares delivered	-	424,296
Weighted average acquisition price	-	10.68
Difference between the acquisition price and the market value of shares acquired	-	1.91

Exercised options and delivered shares - fiscal year ended Dec. 31, 2018		
	Board of Directors	Statutory Board of Executive Officers
Number of Members	9.00	9.50
Number of paid members	-	7.00
Exercised Options		
Number of Shares	-	56,919
Weighted average strike price	-	11.17
Difference between the exercise amount and the market value of shares connected to options exercised	-	0.28
Shares delivered		
Number of shares delivered	-	70,278
Weighted average acquisition price	-	10.68
Difference between the acquisition price and the market value of shares acquired	-	(1.97)

As informed in section 13.4, on April 27, 2020 the EGM approved the split-up of all shares issued by the Company, in the proportion of one common share to three shares of the same type, without changing the capital stock; the amounts mentioned hereinabove already reflect such effect for all grants, for comparison purposes.



13.8 Summary description of the information required to understand the data disclosed in sections 13.5 to 13.7, as well as the explanation of the method of pricing the shares and options:

a. pricing model

The price of the options issued under Plan 1 was determined using the "Black & Scholes" method, which sets the fair value considering the expected dividends, the expected volatility, the risk-free interest rate, and the maturity period.

The fair value of the Restricted Shares issued under Plan 2 is determined based on the market share value on the grant date, less the expected dividend for the grace period, since the beneficiaries are not entitled to receive it. According to CPC-10, such amount is deferred and amortized during the grace period.

b data and assumptions used in the pricing model, including the weighted average price of stocks, exercise price, expected volatility, life term of the option, expected dividends, and the risk-free interest rate

The data and assumptions used in the pricing model are shown in the table below. It is worth mentioning that the 2015 grant is connected to the granting of stock options, while the grants from 2018 on are connected to the granting of restricted shares:

TABLE FOR "PLAN 1"

	12th grant	14th grant
Date	Feb. 20, 2015	Apr. 2, 2015
Grant price	11.87	11.87
Expectation of dividends	2.60%	2.60%
Expectation of volatility	29.61%	29.61%
Risk-free interest rate	12.75%	13.00%
Maturity term	3 years	3 years
Fair value	R\$3.79	R\$4.04

TABLE FOR "PLAN 2"

Government body name	Statutory Board of Executive Officers	Statutory Board of Executive Officers	Board of Directors	Statutory Board of Executive Officers	Statutory Board of Executive Officers	Board of Directors	Statutory Board of Executive Officers	Statutory Board of Executive Officers
Lending	21st grant	22nd grant	25th grant	25th grant	26th grant	27th grant	27th grant	28th grant
Date	May 4, 2018	May 4, 2018	Apr. 26, 2019	Apr. 26, 2019	Apr. 26, 2019	April 27, 2020	Apr. 26, 2019	April 27, 2020
Reference price of restricted shares	10.08	10.08	13.40	13.40	13.40	17.00	17.00	17.00
Expectation of dividends	1.80%	1.80%	1.44%	1.44%	1.44%	1.17%	1.17%	1.17%
Expectation of volatility	NA	NA	NA	NA	NA	NA	NA	NA
Risk-free interest rate	NA	NA	NA	NA	NA	NA	NA	NA
Grace period of shares	3 years	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Fair value	R\$9.84	R\$9.84	R\$12.83	R\$12.83	R\$12.83	16.41	16.41	16.41



c. method used and assumptions taken to incorporate expected effects of early exercise

The options granted have the *vesting period* rule of 3 years from the grant date, that is, the option can be exercised only within 3 to 5 years counted from the grant. Thus, the assumption used to incorporate the expected effects of early exercise of such options was to recognize the options on the financial result over 3 years. For restricted shares, the vesting period rule is also of 3 years, such date being counted from the delivery of said shares.

d. way of determining the expected volatility

The annualized volatility was determined by the standard deviation of the weekly price changes of the Company's stock traded on B3, adjusted by the distribution of dividends, over the three-year period up to the date of each grant.

e. whether any other characteristic of the option was incorporated or not into the measurement of its fair value

No items other than those described in section 13.8 (a) were considered.



13.9 The number of shares or membership interests directly or indirectly held in Brazil or abroad, and other securities convertible into shares or membership interests issued by the issuer, its direct or indirect controlling companies, companies controlled by it or under common control, by members of the Board of Directors, the Statutory Board of Executive Officers, or the Audit Committee, grouped by department or body

The table below shows the number of TOTVS shares held by members of the Board of Directors and Statutory Board of Executive Officers at the end of the previous fiscal year.

Government body name	Corporation that issued the securities	Dec. 31, 2020
Board of Directors	TOTVS S.A.	86,819.80
Statutory Board of Executive Officers	TOTVS S.A.	707,218
Fiscal Council* (Sup. Board)	N/A	N/A

The Company does not have an installed Fiscal Council (Supervisory Board).

The Chairman of the Board of Directors and the Statutory Board of Executive Officers still have 3,548,064 restricted shares in the grace period of "Plan 2" for share-based compensation, as shown in section 13.6.



13.10 - Information on pension plans for members of the board of directors and statutory executive officers

In addition to the contribution to social security (INSS), officers can voluntarily adhere to the Company's private pension plan. The basic contribution consists of monthly payments with their amount limited to the range between 2% to 5% of the monthly fixed compensation (base salary) of the officer and has a counterpart (deposit of equal amount) from the Company. In addition, voluntary monthly or sporadic contributions can be made, however, without the Company's counterpart. To be eligible to redeem the amount deposited by the Company, the officer must contribute to the program for at least 3 years, and the percentage to be redeemed will vary as shown in the table below:

Contribution time to the program	Percentage of the balance of the company's normal contributions
Up to 2 years and 11 months	-
From 3 years to 3 years and 11 months	30%
From 4 years to 4 years and 11 months	40%
From 5 years to 5 years and 11 months	50%
From 6 years to 6 years and 11 months	60%
From 7 years to 7 years and 11 months	70%
From 8 years to 8 years and 11 months	80%
From 9 years to 9 years and 11 months	90%
From 10 years on	100%

Please see below is a table with information on the pension plans in force granted to members of the board of directors and statutory executive officers:

	Board of Directors	Statutory Board of Executive Officers
Number of Members	8.75	6.50
Number of paid members	8.75	6.50
Plan name	N/A	TOTVS Private Pension Plan*
Number of managers who are eligible to retire	N/A	No executive is currently in progress of retiring
Conditions for early retirement	N/A	Early retirement is not possible
Updated accumulated amount of accrued contributions up to the end of the last fiscal year, discounting the portion related to contributions made directly by the managers	N/A	R\$1,655,826.70
Total accrued amount of contributions made during the last fiscal year, discounting the portion relating to contributions made directly by the managers	N/A	R\$161,884.25
Possibility of early redemption and conditions	N/A	The executive is entitled to redeem private pension contributions, however, such option will cancel the plan and the executive will not be allowed to return to the plan. The executive will be eligible to the company's contribution, according to the contribution time table

*The private pension plan does not include members of the Board of Directors



13.11 Maximum, Minimum and Average Individual Compensation of the Board of Directors, the Statutory Board of Executive Officers, and the Fiscal Council (Supervisory Board)

The table below shows information on the maximum, minimum and average individual compensation of the Board of Directors and the Statutory Board of Executive Officers, considering the previous three fiscal years.

ANNUAL AMOUNTS

	Statutory Board of Executive Officers			Board of Directors		
	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018
Number of Members	7.00	6.50	9.50	7.67	8.75	9.00
Number of paid members	7.00	6.50	9.50	7.67	8.75	8.17
Highest compensation amount (in Reals)	4,888,046.07	3,495,449.93	3,557,103.36	2,878,838.40	2,520,790.65	443,564.95
Lowest compensation amount (in Reals)	1,859,255.18	1,974,477.06	1,328,892.00	407,616.00	387,581.55	353,856.95
Average compensation amount (in Reals)	3,938,441.68	3,371,705.42	1,973,927.09	909,330.05	644,490.76	399,875.85

The Company does not have an installed Fiscal Council (Supervisory Board).



13.12 Statement of contractual arrangements, insurance policies or other instruments structuring mechanisms for compensation or indemnity for Management members in the event of dismissal or retirement, pointing out the financial consequences to the issuer

If the Company terminates the agreement with no cause within 12 (twelve) months after the date of a Material Corporate Change, the officer will be entitled to receive an indemnity equivalent to 18 (eighteen) monthly compensations in force at the time of termination, as well as will be entitled to receive all the amounts related to the Target Bonus Program.

The Company and its subsidiaries keep in full force a civil liability insurance policy for members of the Management - D&O world class, which provides for the payment or reimbursement of expenses borne by directors and officers, resulting from the compensation for damages caused to third parties or to the Company. The current policy number 087372020010310000728 (insurance policy registered with SUSEP under number 15414.901229/2017-25), executed with the insurance company AIG SEGUROS BRASIL SA, is effective and in force until July 1st, 2021 and has a maximum indemnity limit of R\$100 million. Despite being covered by the current D&O policy contracted in Brazil, the directors and officers of operations in Mexico, Argentina and the USA are also covered by a local policy issued in each of those countries, with a coverage value of USD1.0 million, aiming at speeding up the reimbursement of expenses arising from possible losses.

13.13 In relation to the last 3 fiscal years, below is the percentage of the total compensation of each corporate department recognized in the issuer's financial results regarding to members of the board of directors, statutory board of executive officers, or fiscal council that are parties related to the direct or indirect controlling companies, as set forth by the applicable accounting standards

Not applicable. There is no direct or indirect controller in the Company.

13.14 As regards the last 3 fiscal years, provide below the amounts recognized in the issuer's financial result as compensation of members of the board of directors, statutory board of executive officers or fiscal council, grouped by corporate department, for any reason other than the position they hold, such as commissions and consulting or advisory services rendered

Mr. Guilherme Stocco Filho, independent member of the Board of Directors elected on April 27, 2020 received the total amount of R\$28,938 between the months of January and May 2018 for the provision of advisory services to the Strategy and Technology Committee ("CET"), acting as an external member of this Committee, as recommended by the Board of Directors and election held on April 27, 2017.

There are no other directors or officers in the Company who receive compensation for any reason other than the position they hold.

13.15 In the past 3 fiscal years, below are the amounts recognized in the financial result of controllers, direct or indirect, of companies under common control and subsidiaries of the issuer as compensation to the members of the Board of Directors, the Executive Board of Executive Officers, or fiscal council of the issuer, grouped by corporate department, specifying why such amounts were allocated to such individuals

There are no directors or officers in the Company that receive compensation through direct or indirect controllers, companies under common control, or subsidiaries of the issuer.



13.16 - Other relevant information

For comparative purposes, we first present the details of the global annual remuneration for the fiscal year 2020 and the Compensation Proposal for the fiscal year 2021:

I - FISCAL YEAR 2020

At the Annual General Meeting held on April 27, 2020, a total compensation amount of up to R\$42,347,414.09 (forty-two million, three hundred and forty-seven thousand, four hundred and fourteen Reals and nine cents) was approved for the fiscal year 2020, encompassing Fixed, Variable, and Share-based Compensation. Out of the total amount approved, R\$34,540,622.08 (thirty-four million, five hundred and forty thousand, six hundred and twenty-two Reals and eight cents) were actually used for that purpose.

As stated in detail in the tables and graphs below, the actual use of an amount 18.44% (eighteen, point forty-four percent) below the limit approved was possible due to the following factors:

- (vi) Book value referring to Share-based Compensation, as a result of the granting of restricted shares in the 2020 grants with a price lower than that provided for in the Compensation Proposal due to the update of the average of the last 30 (thirty) sessions that preceded the preparation of the proposal and the effective grant date - the proposal was of R\$20.60 (twenty REals and sixty cents) and the grants were made with the reference price of R\$17 (seventeen Reals);
- (vii) The new member of the Board of Executive Officers foreseen in the proposal for the second half of the year was not hired;
- (viii) Bonus remained below the estimated number in the proposal due to the average level of achievement of goals by the Board of Executive Officers;
- (ix) Adjustments in the contracts of benefits, such as medical and dental assistance, lower than the ones originally estimated; and
- (x) Individual adhesion of the Board of Executive Officers to the post-employment benefit package regarding the private pension plan at a level lower than that provided for in the proposal.



PROPOSED AND PERFORMED NUMBERS IN 2020

	Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.67	7.50	15.17	7.67	7.00	14.67
Fixed annual compensation (FC)						
Salary or management fees	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
Total FC	4,892,761.84	9,320,916.10	14,213,677.94	4,832,530.35	8,710,640.76	13,543,171.11
Variable compensation (VC)						
Bonus	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
Total Fix.C. + Var.C.	4,892,761.84	14,404,651.53	19,297,413.37	4,832,530.35	12,289,714.90	17,122,245.25
Other						
Post-employment benefits	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
Total FC + VC + Other	0.00	5,540,710.84	5,540,710.84	0.00	3,833,153.65	3,833,153.65
Total FC + VC + Other	4,892,761.84	14,861,626.94	19,754,388.78	4,832,530.35	12,543,794.41	17,376,324.76
Share-based compensation¹						
Accounting recognition - granting in the current year	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
Accounting recognition - granting in previous years	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
Total share-based compensation	2,394,800.00	20,198,225.31	22,593,025.31	2,139,000.00	15,025,297.35	17,164,297.35
General Total	7,287,561.84	35,059,852.25	42,347,414.09	6,971,530.35	27,569,091.76	34,540,622.11

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).
Note: the actual amounts in 2020 of the accounting recognition of previous years of share-based compensation refer to R\$1,492,947.59 (one million, four hundred and ninety-two thousand, nine hundred and forty-seven Reals and fifty-nine cents), of the 2016 grants, R\$1,889,684.21 (one million, eight hundred and eighty-nine thousand, six hundred and eighty-four Reals and twenty-one cents) of the 2017 grants, R\$3,511,380.43 (three million, five hundred and eleven thousand, three hundred and eighty reals and forty-three cents) of the 2018 grants and R\$4,781,140.12 (four million, seven hundred and eighty-one thousand, one hundred and forty Reals and twelve cents) of the 2019 grants.



VARIATION BETWEEN PROPOSED AND PERFORMED NUMBERS IN 2020

Performed 2020 vs. Proposed 2020

	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	0.00	-0.50	-0.50	0.00%	-6.67%	-3.30%
Fixed annual compensation (FC)						
Salary or management fees	0.00	-431,050.11	-431,050.11	0.00%	-5.45%	-3.80%
Direct and indirect benefits	-26,247.49	-179,225.23	-205,472.72	-6.64%	-12.65%	-11.33%
Compensation for participation in Committees	-33,984.00	0.00	-33,984.00	-3.25%	-	-3.25%
Total FC	-60,231.49	-610,275.34	-670,506.83	-1.23%	-6.55%	-4.72%
Variable compensation (VC)						
Bonus	0.00	-1,504,661.29	-1,504,661.29	-	-29.60%	-29.60%
Total Fix.C. + Var.C.	-60,231.49	-2,114,936.62	-2,175,168.12	-1.23%	-14.68%	-11.27%
Other						
Post-employment benefits	0.00	-202,895.90	-202,895.90	-	-55.62%	-55.62%
Benefits for termination of tenure	0.00	0.00	0.00	-	0.00%	0.00%
Total FC + VC + Other	0.00	-1,707,557.19	-1,707,557.19	-	-30.82%	-30.82%
Total FC + VC + Other	-60,231.49	-2,317,832.52	-2,378,064.02	-1.23%	-15.60%	-12.04%
Share-based compensation[†]						
Accounting recognition - granting in the current year	-255,800.00	-1,170,285.00	-1,426,085.00	-20.62%	-20.62%	-20.62%
Accounting recognition - granting in previous years	0.00	-4,002,642.96	-4,002,642.96	0.00%	-27.56%	-25.53%
Total share-based compensation	-255,800.00	-5,172,927.96	-5,428,727.96	-10.68%	-25.61%	-24.03%
General Total	-316,031.49	-7,490,760.48	-7,806,791.98	-4.34%	-21.37%	-18.44%

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

PROPOSED AND PERFORMED NUMBERS IN 2020



II - FISCAL YEAR 2021

For 2021, the Company's Management informs that it has not made any changes to the compensation plan of the Board of Directors and Board of Executive Officers, be it to criteria of Fixed, Variable (Bonus), Benefits, or Share-based Compensation.

A. Number of members:

Regarding the number of members of the Board of Directors and Statutory Board of Executive Officers for 2021, the Company's Management hereby proposes:



- (iii) Maintaining the number of members of the Board of Directors; and
- (iv) The possibility of adding a member to the Board of Executive Officers over 2021.

B. Fixed and variable compensation and benefits:

For purposes of equalization with market practices, the Company's Management proposes for 2021:

- (v) Updating the amounts regarding the Fixed Compensation of the Board of Directors at an index equivalent to the inflation rate ascertained in the period;
- (vi) Updating the amounts referring to the Compensation for Taking Part in Committees for Coordinators of Committees in a rate higher than the inflation in the period, according to the practices observed in the market and the distinguished level of dedication of this role if compared to the other committee members. This item represents an additional 12.42% (twelve point forty-two percent) regarding the 2020 proposal in the line "Compensation for taking part in committees";
- (vii) Updating the amounts related to the Fixed Compensation and Bonuses of the Vice-Presidents (Statutory Board of Executive Officers) at a rate equivalent to the inflation ascertained in the period; and updating the amounts regarding the CEO's Fixed Compensation and Bonuses (Statutory Board of Executive Officers) at an index higher than the inflation, aiming at adapting it to the standards practiced especially in the information technology market in Brazil. These items, taken together, represent an additional of 4.92% (four point ninety-two percent) in the salaries of the Statutory Board of Executive Officers and 12.59% (twelve point fifty-nine percent) in the bonuses payable (both compared to the 2020 proposal); and
- (viii) Readjusting the amounts of medical and dental assistance benefits provided to the Statutory Board of Executive Officers, according to the conditions provided for in the contracts with the corresponding service providers.

As contained in the items above, the Company's Management proposes for 2021, under the terms of the Board of Directors' meeting held on March 12, 2021, an amount of up to R\$20,723,601.78 (twenty million, seven hundred and twenty-two thousand three hundred and one Reals and seventy-eight cents) as fixed and variable compensation, plus benefits. This proposal brings an increase of 4.91% (four point ninety-one percent) compared to the amounts proposed for 2020, as shown in the tables and graphs below:

PROPOSAL FOR 2021 (Fixed Comp. + Var. Comp. + Benefits):

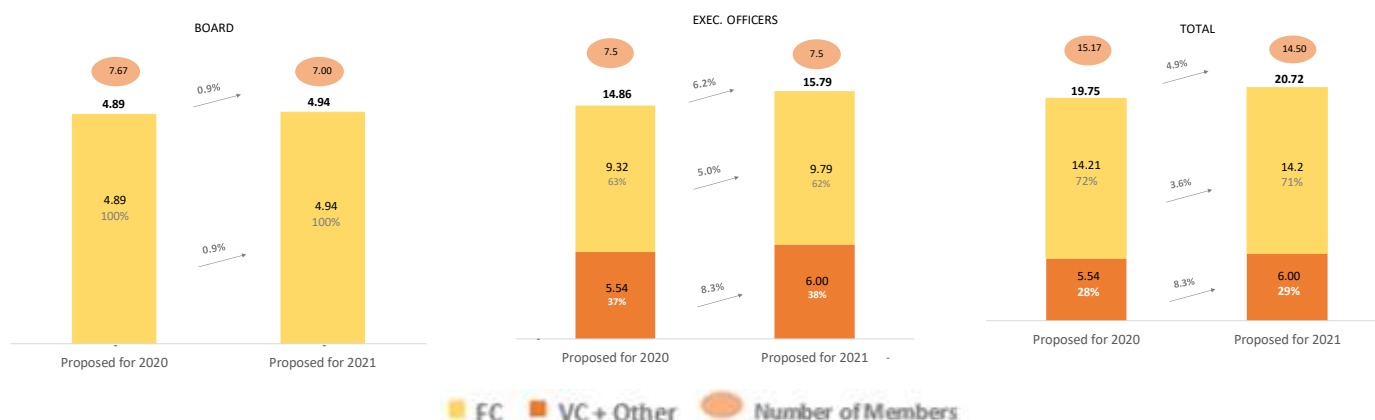
	Proposed 2021			Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.00	7.50	14.50	7.67	7.50	15.17	7.67	7.00	14.67
Fixed annual compensation (FC)									
Salary or management fees	3,381,243.72	8,292,805.49	11,674,049.22	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	380,699.23	1,495,195.59	1,875,894.82	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,174,779.61	0.00	1,174,779.61	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
Total FC	4,936,722.57	9,788,001.08	14,724,723.65	4,892,761.84	9,320,916.10	14,213,677.94	4,832,530.35	8,710,640.76	13,543,171.11
Variable compensation (VC)									
Bonus	0.00	5,723,800.27	5,723,800.27	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
Total Fix.C. + Var.C.	4,936,722.57	15,511,801.35	20,448,523.92	4,892,761.84	14,404,651.53	19,297,413.37	4,832,530.35	12,289,714.90	17,122,245.25
Other									
Post-employment benefits	0.00	275,077.86	275,077.86	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	0.00	0.00	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
Total FC + VC + Other	0.00	5,998,878.13	5,998,878.13	0.00	5,540,710.84	5,540,710.84	0.00	3,833,153.65	3,833,153.65
Total FC + VC + Other	4,936,722.57	15,786,879.21	20,723,601.78	4,892,761.84	14,861,626.94	19,754,388.78	4,832,530.35	12,543,794.41	17,376,324.76



VARIATION BETWEEN 2021 PROPOSAL AND 2020 PROPOSAL (Fixed Comp. + Var. Comp. + Benefits):

	Proposed 2021 vs. Proposed 2020					
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	-0.67	0.00	-0.67	-8.70%	0.00%	-4.40%
Fixed annual compensation (FC)						
Salary or management fees	-70,980.28	389,235.43	318,255.15	-2.06%	4.92%	2.80%
Direct and indirect benefits	-14,859.41	77,849.56	62,990.15	-3.76%	5.49%	3.47%
Compensation for participation in Committees	129,800.41	0.00	129,800.41	12.42%	-	12.42%
Total FC	43,960.72	467,084.99	511,045.71	0.90%	5.01%	3.60%
Variable compensation (VC)						
Bonus	0.00	640,064.84	640,064.84	-	12.59%	12.59%
Total Fix.C. + Var.C.	43,960.72	1,107,149.83	1,151,110.55	0.90%	7.69%	5.97%
Other						
Post-employment benefits	0.00	-89,702.29	-89,702.29	-	-24.59%	-24.59%
Benefits for termination of tenure	0.00	-92,195.26	-92,195.26	-	-100.00%	-100.00%
Total FC + VC + Other	0.00	458,167.29	458,167.29	-	8.27%	8.27%
Total FC + VC + Other	43,960.72	925,252.28	969,213.00	0.90%	6.23%	4.91%

PROPOSAL FOR 2021 (Fixed Comp. + Var. Comp. + Benefits):



C. Share-based Compensation:

The share-based compensation recognized in each fiscal year and explained throughout this topic strictly follows the criteria corresponding to the maximum accounting estimates due to the accounting deferral set forth by the applicable legislation under the CPC 10 standard. The CPC 10 accounting standard, based on the international standard IFRS 2, aims at prescribing procedures for the recognition and disclosure of transactions with payment based on actions carried out by the Companies. To assist understanding thereof, according to CPC10 the cost of transactions settled with equity instruments must be measured based on the fair value on the date they were granted, using an appropriate valuation model. Such cost is recognized in share-based compensation expenses together with the corresponding increase in shareholders' equity over the plan's grace period. For detailed information, please visit:

<http://www.cpc.org.br/CPC/Documentos-Emitidos/Pronunciamentos/Pronunciamento?Id=41>

As regards the year-over-year progress, the Share-Based Compensation goes from the 2020 proposed value of R\$22,593,025.31 (twenty-two million, five hundred and ninety-three thousand, twenty-five Reals and thirty-one



cents) to the 2021 proposal of R\$29,563,660.30 (twenty-nine million, five hundred and sixty-three thousand, six hundred and sixty Reals and thirty cents), as shown in the table below:

2021 PROPOSAL (SHARE-BASED COMPENSATION):

	Proposed 2021			Proposed for 2020			Performed 2020			Variation of proposed #2021 vs. prop.20
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total	
Share-based compensation¹										
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00	3,016,393.00
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35	3,954,241.99
Total share-based compensation	4,487,100.00	25,076,560.30	29,563,660.30	2,394,800.00	20,198,225.31	22,593,025.31	2,139,000.00	15,025,297.35	17,164,297.35	6,970,634.99
Total number of shares - granting in the current year	270,000	1,174,950	1,444,950	270,000	1,235,250	1,505,250	270,000	1,235,250	1,505,250	-60,300.00
Total number of shares - granting in previous years	540,000	3,008,064	3,548,064	270,000	2,601,639	2,871,639	270,000	2,550,613	2,820,613	676,425.00
Total number of shares	810,000	4,183,014	4,993,014	540,000	3,836,889	4,376,889	540,000	3,785,863	4,325,863	616,125
Total economic par value - granting in the current year	8,351,100	36,341,204	44,692,304	5,581,800	25,536,735	31,118,535	4,430,700	20,270,453	24,701,153	13,573,769

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

Note 1: the amounts granted in previous years were approved by the competent bodies, in accordance with the Share-Based Incentive and Retention Plans approved by the shareholders at General Meetings held, respectively, on December 15, 2015 that was amended on April 5, 2018 and April 18, 2019, having been, therefore, already granted to the beneficiaries.

Note 2: the total book economic value multiplies the total number of shares of the grants performed in the current year with the fair value of the shares.

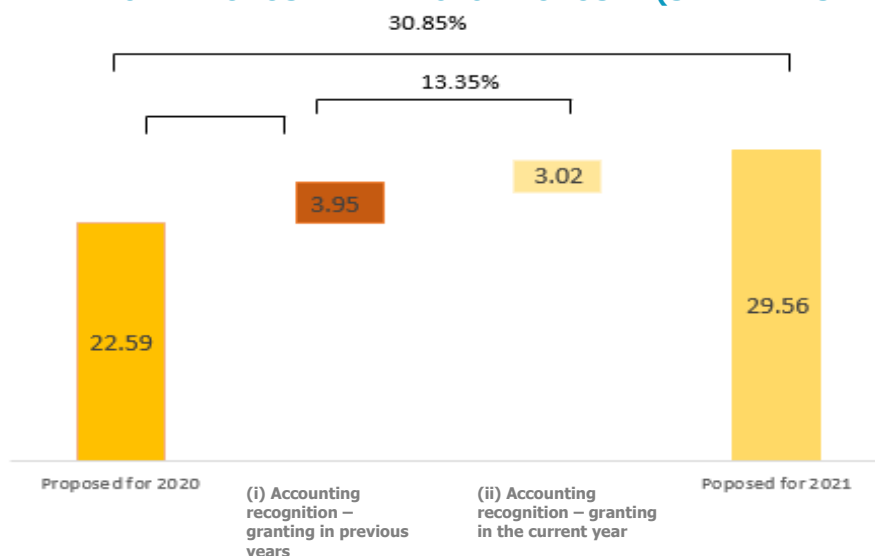
Such increase of R\$6.970.634,99 (six million, nine hundred and seventy thousand, six hundred and thirty-four Reals and ninety-nine cents) is explained by the following effects:

- (iii) **Accounting recognition of amounts granted in previous years:** estimated appreciation of approximately 214% (two hundred and fourteen percent), of the shares granted in 2018 that will be effectively delivered to the participants in 2021, with an impact on withheld taxes; more effect of the stacking of the last 3 grants, accumulating the grants performed in 2018 (4/36 in 2021), 2019 (12/36 in 2021), and 2020 (12/36 in 2021) together with the 2021 grant (8/36 in 2021), which end up increasing the total for the year at issue. These factors represent an impact of R\$3.954.241,99 (three million, nine hundred and fifty-four thousand, two hundred and forty-one Reals and ninety-nine cents).
- (iv) **Accounting recognition of grants performed in the current year:** estimated appreciation of shares to be granted in 2021, in the range of 88% (eighty-eight percent), compared to the grant made in 2020; this represents an impact of R\$3.016.393 (three million, sixteen thousand and three hundred and ninety-three Reals), even with the expected delivery of 60,300 (sixty thousand and three hundred) less shares in 2021.

Adding items (i) and (ii), the impact of 30.85% (thirty point eighty-five percent) represents the difference between the 2021 proposal and the 2020 proposal, as shown in the graph below:



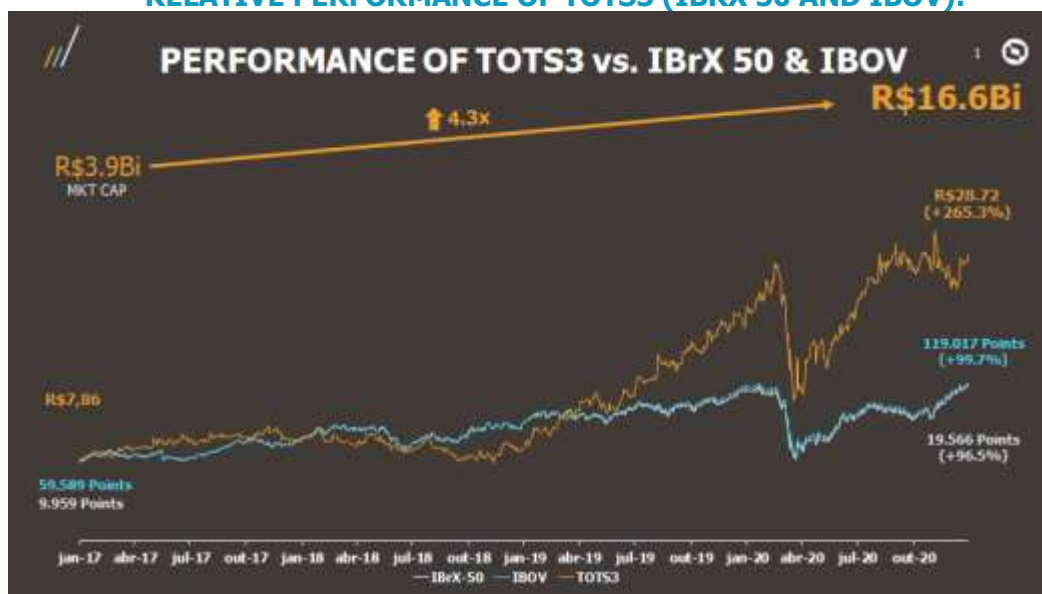
VARIATION BETWEEN 2021 PROPOSAL AND 2020 PROPOSAL (SHARE-BASED COMPENSATION):



The aforementioned positive effects played, as expected, a critical role in aligning the interests both of shareholders and Management, given the appreciation of TOTVS's share value over the past few years. As shown in the graph below, we can see the high performance of TOTS3 against two important market indexes:

3. **Ibovespa:** the most important indicator of the average performance of the prices of shares traded on B3 (Brazil, Bolsa, Balcão), formed by the shares with the highest volume traded in recent months. Since 2020, TOTVS has been part of this index.
4. **IBrX50:** an indicator of the average price performance of the 50 most tradable and representative assets of the Brazilian stock market. TOTVS has been part of this index since 2021.

RELATIVE PERFORMANCE OF TOTS3 (IBRX 50 AND IBOV):



We explain below, in detail, the effects of changes in the amounts of share-based compensation for the Board of Directors and Statutory Board of Executive Officers considering the accounting recognition of the grants for the current and previous years:



Accounting recognition of current year grants:

The Share-Based Incentive and Retention Plan approved at the Extraordinary General Meeting held on December 15, 2015 and amended on April 5, 2018 and April 18, 2019 (the "Plan"), may cover up to 5.68% (five point sixty-eight percent) of the Company's Capital Stock, which currently represents 32,825,469 million shares in ten years, that is, an average of 3,282,547 shares per year.

For the fiscal year 2021, within the scope of the Plan, the Board of Directors intends to grant 1,444,950 (one million, four hundred and forty-four thousand, nine hundred and fifty) restricted shares to the Company's Management members, corresponding to 0.25% (zero point twenty-five percent) of the Capital Stock on this date, compared with 1,505,250 (one million, five hundred and five thousand, two hundred and fifty) shares (0.26% of the share capital on April 27, 2020) in 2020. For the purposes of this proposal, to calculate the granting regarding year 2021 we have considered the average price of the 30 (thirty) trading sessions previous to the base date of March 15, 2021, which represents a book economic value of R\$44.692.303,50 (forty-four million, six hundred and ninety-two thousand, three hundred and three Reals and fifty cents), corresponding to R\$30.93 (thirty Reals and ninety-three cents) per share; emphasizing that the key factor to be considered at the time of the grant, scheduled for May 5, 2021, is the number of shares that will be granted, as this is already determined. It is worth noticing that the effective economic value to be allocated to the granting for the fiscal year 2021 will consider the average price of the 30 (thirty) trading sessions prior to the granting date, as provided for in the Plan. Pursuant to the applicable laws and the characteristics of the Plan, according to the CPC 10 accounting standard, the accounting for this 2021 granting will take place over three years. As a result of the accounting deferral determined by the applicable legislation, the amount to be accounted for in the 2021 fiscal year regarding the 2021 grants will be up to R\$9.931.623 (nine million, nine hundred and thirty-one thousand, six hundred and twenty-three Reals), which corresponds to 8/36 of the economic value of R\$44.692.303,50 (forty-four million, six hundred and ninety-two thousand, three hundred and three Reals and fifty cents).

The table below shows the estimated effect of accounting for 2021 grants over the next few years:

SHARE-BASED COMPENSATION - 2021 GRANTS:

Year	Amount accounted for	Hundredths
2021	R\$10,011,898	8/36
2022	R\$15,017,847	12/36
2023	R\$15,017,847	12/36
2024 *	R\$5,005,949	4/36
Total book economic value	R\$45,053,541	36/36

*these amounts may change according to the variation of the value of the restricted shares on the moment of the effective delivery to the participants, impacting the taxes withheld, in addition to any cancellations over time.

Accounting recognition of grants from previous years:

In addition to the amount of R\$9.931.623 (nine million, nine Thousand and thirty-one, six hundred and twenty-three Reals), as a result of the provisions set forth in the applicable laws (CPC 10), the amount allocated to share-



based compensation should be increased by the amount of R\$19.632.037,30 (nineteen million, six hundred and thirty-two thousand, and thirty-seven Reals and thirty cents), referring to the accounting recognition estimated for the fiscal year 2021, regarding the accounting of the grants made in previous years for the Management members, due to the accounting deferral determined by the applicable legislation as previously mentioned.

The amount referred to in the above paragraph refers to all granting made in previous years that were approved by the competent bodies, according to the Share-Based Incentive and Retention Plans, approved by the shareholders at General Meetings held, respectively, on December 15, 2015 and amended on April 5, 2018, which has been, therefore, already granted to the beneficiaries.

In the table below we exemplify the estimated effect over the years of the accounting of the grants performed in 2018, 2019, and 2020 and which make up the amount of R\$19.632.037,30 (nineteen million, six hundred and thirty-two thousand, and thirty-seven Reals and thirty cents) accounted for in the fiscal year 2021:

SHARE-BASED COMPENSATION - GRANTS FROM 2018 TO 2021:

Year	2018 Granting		2019 Granting		2020 Granting		2021 Granting (proposed)		Total / year
	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	Amount accounted for	Hundr edths	
2018	R\$ 2,330,697.71	8/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 2,330,697.71
2019	R\$ 3,641,557.17	12/36	R\$ 3,187,426.75	8/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 6,828,983.92
2020	R\$ 3,511,380.43	12/36	R\$ 4,781,140.12	12/36	R\$ 5,489,145.00	8/36	R\$ 0.00	0/36	R\$ 13,781,665.55
2021	R\$ 6,617,179.70	4/36	R\$ 4,781,140.12	12/36	R\$ 8,233,717.48	12/36	R\$ 9,931,623.00	8/36	R\$ 29,563,660.30
2022	R\$ 0.00	0/36	R\$ 1,593,713.37	4/36	R\$ 8,233,717.48	12/36	R\$ 14,897,434.50	12/36	R\$ 24,724,865.35
2023	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 2,744,572.49	4/36	R\$ 14,897,434.50	12/36	R\$ 17,642,006.99
2024	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 0.00	0/36	R\$ 4,965,811.50	4/36	R\$ 4,965,811.50
Total economic par value	R\$ 16,100,815.01	36/36	R\$ 14,343,420.36	36/36	R\$ 24,701,152.45	36/36	R\$ 44,692,303.50	36/36	R\$ 94,871,879.82

Note 1: the amount of R\$6.617.179,70 (six million, six hundred and seventeen thousand, one hundred and seventy-nine Reals and seventy cents) includes the impact of withholding taxes, as a result of the estimated appreciation of approximately 214% (two hundred and fourteen percent) of the shares granted in 2018 that will be effectively delivered to the participants in 2021.

Note 2: future amounts may change according to the variation in the value of the restricted shares at the time of the effective delivery to the participants, impacting the taxes withheld, in addition to any cancellations over time.

Conclusion:

Thus, as explained in detail throughout this topic, the only three factors that determine share-based Compensation are:

- (i) the number of shares granted, and for the 2021 grants we intend to grant 60,300 (sixty thousand and three hundred) shares less than in 2020;
- (ii) the reference price of the shares granted, which corresponds to the average of the 30 trading sessions prior to the grant date, values that have been rising over the last few years, as a result of the appreciation of TOTVS's shares; and
- (iii) the stacking factor of grants over the years. In 2021 we estimate that the maximum stacking level will be reached, considering the combination of factors (i) and (ii), with the expectation that this level is maintained for the following years.

In the table below we detail items (i) and (ii) referring to each of the grants recognized in the 2021 fiscal year for the Company's Management.



SHARE-BASED COMPENSATION - GRANTS FROM 2018 TO 2021:

	2018 Grants	2019 Grants	2020 Grants	2021 Grants (proposal)
Grace period of stock	3 years			
Reference price of restricted shares	R\$10.08	R\$13.40	R\$17.00	R\$30.93 *
Net number of shares outstanding in the current fiscal year	924,564	1,118,250	1,505,520	1,444,950 **

* The reference price of the restricted shares to be allocated to the grants for the year 2021 will consider the average price of the 30 (thirty) trading sessions prior to the grant date, scheduled for May 5, 2021, as provided for in the Plan.

** The number of shares is the key factor to be considered at the time of the grant, as this has already been determined.

Note 1: Chairman of the Board of Directors eligible from 2019.

Note 2: the net number of shares outstanding in the current fiscal year already includes cancellations performed over time of the 2018 grants.

Dilution:

The accumulated net dilution of the Share-based Incentive and Retention Plan from the first grant performed in 2016 until the last grant made in 2020, considering the effect of any cancellations made over time before the end of the grace period and considering all the participants contemplated by the grants (Chairman of the Board, Statutory Board of Executive Officers, and other employees benefited), is 1.43% (one point forty-three percent), that is, an average of 0.287% (zero point two hundred and eighty-seven per percent) per year. Thus, to date, the Plan uses only 25.2% (twenty-five point two percent) of the maximum dilution allowed of 5.68% (five point sixty-eight percent) of the Company's capital stock during the effective term of the plan (10 years), even though 50% (fifty percent) of such effective term has already elapsed. We show such effect in the following tables, considering the dilution accumulated to date and the annual average as a reference:

ACCUMULATED DILUTION:

Accumulated dilution	Dilution %	# Shares	Number of years
Maximum dilution allowed by the Plan	5.68%	32,825,469	10
Current net dilution *	1.43%	8,281,278	5
% already used	25.2%	25.2%	50.0%

* refers to Restricted Shares already granted to Participants, which may be in a grace period or expired

ANNUAL AVERAGE DILUTION:

Average annual dilution as a reference	Dilution %	# Shares	Number of years
Maximum dilution allowed by the Plan	0.568%	3,282,547	10
Average annual net dilution *	0.287%	1,656,256	5
% used	50.5%	50.5%	50.0%

* refers to Restricted Shares already granted to Participants, which may be in a grace period or expired

In the table below, we show the accumulated net dilution and average annual net dilution divided between the Board of Directors, Statutory Board of Executive Officers, and other employees benefited by concessions in the Incentive and Share-based Retention Plan:



ACCUMULATED DILUTION AND ANNUAL AVERAGE, PER BODY:

Accumulated dilution *	Dilution %	# Shares	Representativeness %	Average annual dilution	Number of years
Board of Directors	0.09%	540,000	6.52%	0.047%	2
Statutory Exec. Officers	0.72%	4,129,905	49.87%	0.144%	5
Other	0.62%	3,611,373	43.61%	0.124%	5
Total	1.43%	8,281,278	100.00%	0.287%	5

* considering the granting made between 2016 and 2020

The proposed dilution for the 2021 grants follows the same level of dilution approved in the last two years for the Board of Directors and in the last three years for the Statutory Board of Executive Officers, not considering an increase for the year 2021, as shown in the table below:

ANNUAL DILUTION, PER BODY:

Net dilution of granting per year			
Year	Board of Directors	Board of Exec. Officers	Total
2018	0.00%	0.19%	0.19%
2019	0.05%	0.15%	0.20%
2020	0.05%	0.21%	0.26%
Proposed 2021	0.05%	0.20%	0.25%

Note: to date, there have been no cancellations of shares of the 2019 and 2020 grants.

It is worth noticing that there were cancellations performed over the time of the 2018 grants, and the original dilution of such year was of 0.23% (zero point twenty-three percent). And for the year 2019, the level of 0.15% (zero point fifteen percent) of dilution is explained by the smaller number of Statutory Executive Officers at that time and by the first year of the CEO, who received a smaller number of shares.

We believe that the dilution of the Share-based Incentive and Retention Plan is in line with the context of the industry in which TOTVS is inserted in Brazil, considering its size, equity structure, historical growth and future potential, financial condition, and historical payment practices for performance.

D. Global compensation of the Management members:

According to the provisions set forth in paragraphs "A", "B", and "C" above, the proposal for the global compensation amount for the Company's Management members for the fiscal year 2021 is up to R\$50,287.262,08 (fifty million, two hundred and eighty-seven thousand, two hundred and sixty-two Reals and eight cents), as shown in detail in the table and graphs below:

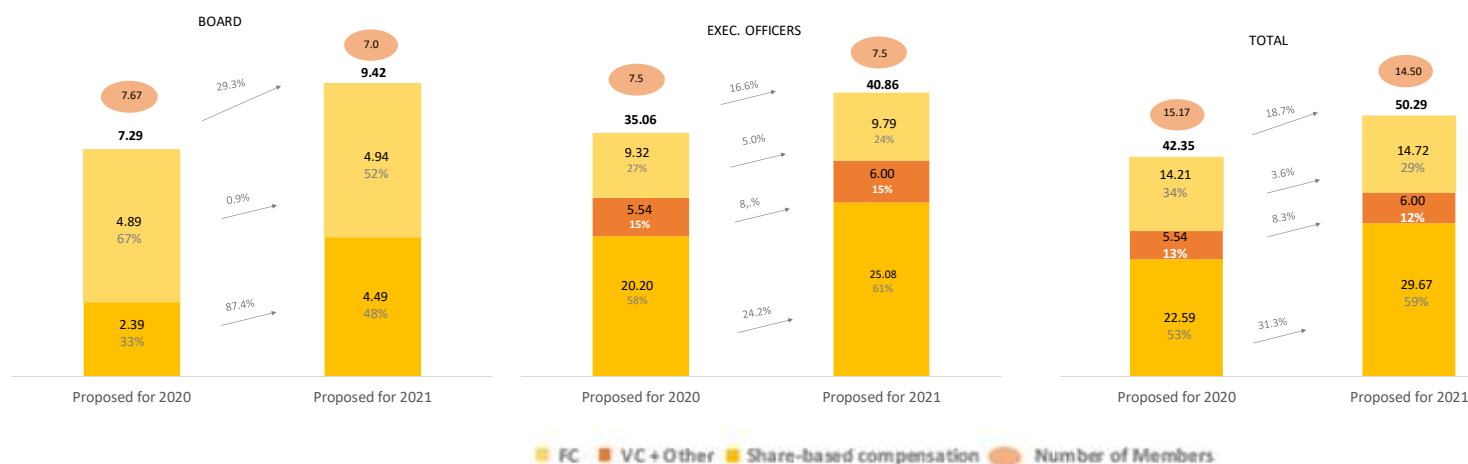


GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS:

	Proposed 2021			Proposed for 2020			Performed in 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	7.00	7.50	14.50	7.67	7.50	15.17	7.67	7.00	14.67
Fixed annual compensation (FC)									
Salary or management fees	3,381,243.72	8,292,805.49	11,674,049.22	3,452,224.00	7,903,570.07	11,355,794.07	3,452,224.00	7,472,519.96	10,924,743.96
Direct and indirect benefits	380,699.23	1,495,195.59	1,875,894.82	395,558.64	1,417,346.03	1,812,904.67	369,311.15	1,238,120.80	1,607,431.95
Compensation for participation in Committees	1,174,779.61	0.00	1,174,779.61	1,044,979.20	0.00	1,044,979.20	1,010,995.20	0.00	1,010,995.20
Total FC	4,936,722.57	9,788,001.08	14,724,723.65	4,892,761.84	9,320,916.10	14,213,677.94	4,832,530.35	8,710,640.76	13,543,171.11
Variable compensation (VC)									
Bonus	0.00	5,723,800.27	5,723,800.27	0.00	5,083,735.43	5,083,735.43	0.00	3,579,074.14	3,579,074.14
Total Fix.C. + Var.C.	4,936,722.57	15,511,801.35	20,448,523.92	4,892,761.84	14,404,651.53	19,297,413.37	4,832,530.35	12,289,714.90	17,122,245.25
Other									
Post-employment benefits	0.00	275,077.86	275,077.86	0.00	364,780.15	364,780.15	0.00	161,884.25	161,884.25
Benefits for termination of tenure	0.00	0.00	0.00	0.00	92,195.26	92,195.26	0.00	92,195.26	92,195.26
Total FC + VC + Other	0.00	5,998,878.13	5,998,878.13	0.00	5,540,710.84	5,540,710.84	0.00	3,833,153.65	3,833,153.65
Total FC + VC + Other	4,936,722.57	15,786,879.21	20,723,601.78	4,892,761.84	14,861,626.94	19,754,388.78	4,832,530.35	12,543,794.41	17,376,324.76
Share-based compensation¹									
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
Total share-based compensation	4,487,100.00	25,076,560.30	29,563,660.30	2,394,800.00	20,198,225.31	22,593,025.31	2,139,000.00	15,025,297.35	17,164,297.35
General Total	9,423,822.57	40,863,439.51	50,287,262.08	7,287,561.84	35,059,852.25	42,347,414.09	6,971,530.35	27,569,091.76	34,540,622.11

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).
Note: the amounts granted in previous years were approved by the competent bodies, in accordance with the Share-Based Incentive and Retention Plans approved by the shareholders at General Meetings held, respectively, on December 15, 2015 that was amended on April 5, 2018 and April 18, 2019, having been, therefore, already granted to the beneficiaries.

GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:



The growth of 18.75% (eighteen point seventy-five percent) of the global compensation proposed for the year 2021, in comparison with the 2020 proposal, has its greatest absolute impact on the line "accounting recognition of share-based compensation of previous years", which, by itself, showed an increase of R\$3.954.241,99 (three million, nine hundred and fifty-four thousand, two hundred and forty-one Reals and ninety-nine cents), equivalent to an increase of 25.22% (twenty-five point twenty-two percent) year-over-year, as shown in the table below:



GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS - YEAR-OVER-YEAR VARIATION:

	Proposed 2021 vs. Proposed 2020					
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Number of Members	-0.67	0.00	-0.67	-8.70%	0.00%	-4.40%
Fixed annual compensation (FC)						
Salary or management fees	-70,980.28	389,235.43	318,255.15	-2.06%	4.92%	2.80%
Direct and indirect benefits	-14,859.41	77,849.56	62,990.15	-3.76%	5.49%	3.47%
Compensation for participation in Committees	129,800.41	0.00	129,800.41	12.42%	-	12.42%
Total FC	43,960.72	467,084.99	511,045.71	0.90%	5.01%	3.60%
Variable compensation (VC)						
Bonus	0.00	640,064.84	640,064.84	-	12.59%	12.59%
Total Fix.C. + Var.C.	43,960.72	1,107,149.83	1,151,110.55	0.90%	7.69%	5.97%
Other						
Post-employment benefits	0.00	-89,702.29	-89,702.29	-	-24.59%	-24.59%
Benefits for termination of tenure	0.00	-92,195.26	-92,195.26	-	-100.00%	-100.00%
Total FC + VC + Other	0.00	458,167.29	458,167.29	-	8.27%	8.27%
Total FC + VC + Other	43,960.72	925,252.28	969,213.00	0.90%	6.23%	4.91%
Share-based compensation¹						
Accounting recognition - granting in the current year	615,400.00	2,400,993.00	3,016,393.00	49.61%	42.31%	43.62%
Accounting recognition - granting in previous years	1,476,900.00	2,477,341.99	3,954,241.99	127.94%	17.06%	25.22%
Total share-based compensation	2,092,300.00	4,878,334.99	6,970,634.99	87.37%	24.15%	30.85%
General Total	2,136,260.72	5,803,587.26	7,939,847.99	29.31%	16.55%	18.75%

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

Thus, the total compensation growth for the current year (including the fixed, variable, other, and share-based compensation lines of the 2021 grant) is 14.94% (fourteen point ninety-four percent), as shown in the tables and graphs below:

GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:

	Proposed 2021			Proposed for 2020			Performed 2020		
	Board	Executive Officers	Total	Board	Executive Officers	Total	Board	Executive Officers	Total
Total FC + VC + Other	4,936,722.57	15,786,879.21	20,723,601.78	4,892,761.84	14,861,626.94	19,754,388.78	4,832,530.35	12,543,794.41	17,376,324.76
Share-based compensation¹									
Accounting recognition - granting in the current year	1,855,800.00	8,075,823.00	9,931,623.00	1,240,400.00	5,674,830.00	6,915,230.00	984,600.00	4,504,545.00	5,489,145.00
Total compensation - current year	6,792,522.57	23,862,702.21	30,655,224.78	6,133,161.84	20,536,456.94	26,669,618.78	5,817,130.35	17,048,339.41	22,865,469.76
Share-based compensation¹									
Accounting recognition - granting in previous years	2,631,300.00	17,000,737.30	19,632,037.30	1,154,400.00	14,523,395.31	15,677,795.31	1,154,400.00	10,520,752.35	11,675,152.35
General Total	9,423,822.57	40,863,439.51	50,287,262.08	7,287,561.84	35,059,852.25	42,347,414.09	6,971,530.35	27,569,091.76	34,540,622.11

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

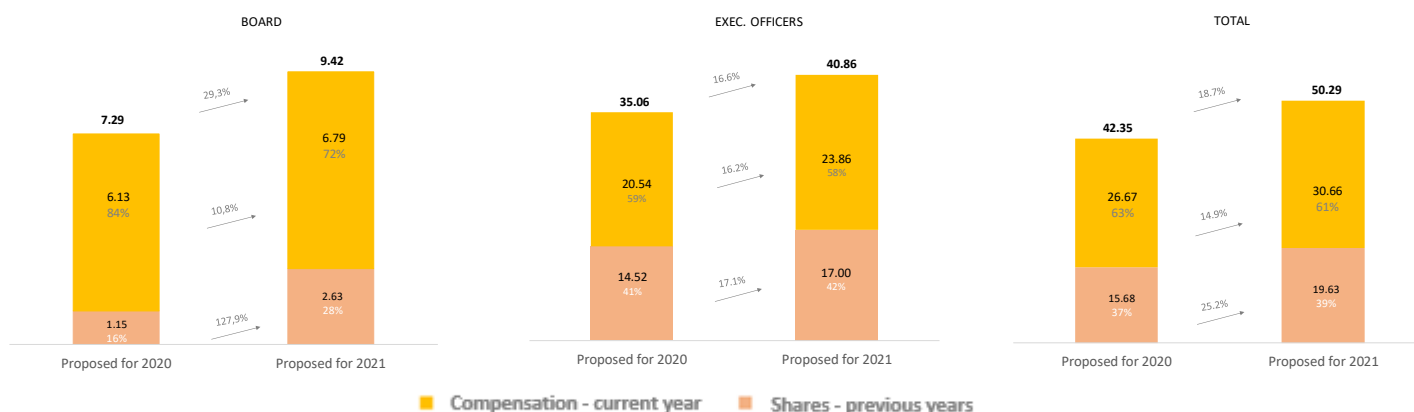


GLOBAL COMPENSATION OF THE MANAGEMENT MEMBERS - YEAR-OVER-YEAR VARIATION:

	Proposed 2021 vs. Proposed 2020					
	Absolute variation			Percentage (%) change		
	Board	Executive Officers	Total	Board	Executive Officers	Total
Total FC + VC + Other	43,960.72	925,252.28	969,213.00	0.90%	6.23%	4.91%
<i>Share-based compensation¹</i>						
Accounting recognition - granting in the current year	615,400.00	2,400,993.00	3,016,393.00	49.61%	42.31%	43.62%
Total compensation - current year	659,360.72	3,326,245.27	3,985,606.00	10.75%	16.20%	14.94%
<i>Share-based compensation¹</i>						
Accounting recognition - granting in previous years	1,476,900.00	2,477,341.99	3,954,241.99	127.94%	17.06%	25.22%
General Total	2,136,260.72	5,803,587.26	7,939,847.99	29.31%	16.55%	18.75%

(1) Corresponding to the maximum projected amounts accounted for due to the accounting deferral determined by the applicable laws (CPC 10).

GLOBAL COMPENSATION OF MANAGEMENT MEMBERS:



E. RATIO OF EACH ITEM IN THE TOTAL COMPENSATION

The increase in the ratio of variable compensation compared to fixed compensation over the years adequately aligns the compensation strategy with the purpose of boosting the Company's future performance.

BOARD OF EXECUTIVE OFFICERS

Item of Compensation	2021	2020	2019	2018
Fixed	20%	27%	29%	58%
Variable	76%	67%	60%	37%
Benefits	4%	5%	11%	5%



BOARD OF DIRECTORS

Item of Compensation	2021	2020	2019	2018
Fixed	48%	64%	82%	100%
Variable*	48%	31%	14%	-
Benefits*	4%	5%	4%	-

*Applicable to the Chairman of the Board of Directors only

F. CONCLUSION:

We are convinced that the compensation proposal for 2021 is aligned with the Company's long-term and operational performance, as shown in the tables below, with the comparison of the main growth metrics of the previous year *versus* the growth of the proposed compensation of 2021 compared to the 2020 proposal:

KEY INDICATORS AND COMPARATIVE COMPENSATION:

Index	2020	2019	Δ
Total net income *	2,596,077	2,282,124	13.8%
Recurring Revenue *	1,954,093	1,729,218	13.0%
Consolidated adjusted EBITDA *	589,717	469,742	25.5%
Adjusted and consolidated EBITDA margin	22.7%	20.6%	210 bp
Cash Profit *	337,548	268,484	25.7%
Cash Profit margin	13%	11.80%	120 bp
TOTS3 share	28.72	21.52	33.5%
Ibovespa	119,017	115,645	2.9%
IBRX50	19,566	18,882	3.6%

* (Amounts stated in 000s of Real)

Compensation	Proposed for 2021	Proposed for 2020	Δ
Total Fixed Compensation	14,724,724	14,213,678	3.6%
Total fixed + variable compensation + others	20,723,602	19,754,389	4.9%
Total compensation for current year ¹	30,655,225	26,669,619	14.9%
Share-based compensation - accounting recognition in previous years	19,632,037	15,677,795	25.2%
Total Global Compensation	50,287,262	42,347,414	18.7%
Proportion of total variable compensation over total global compensation ²	70%	60%	10 p.p.
Number of shares - 2021 granting	1,444,950	1,505,250	-4.0%
Dilution of granting in the year	0.25%	0.26%	-2.6%

¹ Fixed + variable + other compensation + share-based compensation for the current year

² Variable compensation includes bonuses + share-based compensation in the current year



EXHIBIT V

SHARE-BASED INCENTIVE PLAN

1 DEFINITIONS:

"Shares" means the common shares issued by the Company.

"Restricted Shares" means the Shares that will be delivered to the corresponding Participants, under the terms of this Plan and the Programs.

"CLT" means the Consolidation of Labor Laws.

"Committee" means the Company's Personnel and Compensation Committee, as provided for in its Bylaws, or another Committee that may be specifically created or appointed by the Board of Directors to manage the Plan, the members of which are not eligible Participants under this Plan.

"Board of Directors" means the Company's Board of Directors.

"Agreement" means the Share Granting Agreement and Other Covenants approved by the Committee, to be executed by and between the Company and each Participant within the scope of the corresponding Programs.

"Company" means TOTVS S.A.

"Termination" means any action or fact that puts an end to the Participant's legal relationship with the Company, except in cases of retirement by the Brazilian National Social Security Institute (INSS) due to permanent disability, death, or court declaration of absence due to the Participant's disappearance. The word 'termination' covers, among others, the Participant's voluntary dismissal, resignation, dismissal, replacement or absence of reelection as statutory executive officer without an employer-employee relationship, and termination of employment agreement for any reason, for cause or not, at the initiative of either party, or by mutual agreement.

"Participants" means the employees and Management members in the Company and its controlled companies who are considered eligible within the scope of each one of the Programs, excluding the Committee members, who may be nominated annually by the Committee to participate in the Plan.

"Grace Periods" means the Grace Period for the "ILP Destaques" Program, the Grace Period for the ILP Performance Program, and the Grace Period for the ILP Master Program considered together.

"Grace Period for the "ILP Destaques" Program" means the three (3) year grace period from the execution of the corresponding Agreement, after which the Participant acquires the right to become a holder of the Restricted Shares granted within the scope of the "ILP Destaques" Program, and the Company shall be required to transfer the Participant the Restricted Shares under the terms of the Agreement.

"Grace Period for the ILP Performance Program" means the three (3) year grace period from the execution of the corresponding Agreement, after which the Participant acquires the right to become a holder of the Restricted Shares granted within the scope of the ILP Performance Program, and the Company shall be required to transfer the Participant the Restricted Shares under the terms of the Agreement, in



accordance with the achievement of Company's internal and external long-term performance indicators, as set forth in the corresponding Agreement.

"Grace Period for the ILP Master Program" means the five (5) year grace period from the execution of the corresponding Agreement, after which the Participant acquires the right to become a holder of the Restricted Shares granted within the scope of the ILP Master Program, and the Company shall be required to transfer the Participant the Restricted Shares under the terms of the Agreement.

"Plan" means this Share-Based Incentive Plan.

"Programs" means the "ILP Destaques" Program, the ILP Performance Program and the ILP Master Program, considered together.

"ILP Destaques" Program" means the program, subject to this Plan, for which the Committee may nominate annually, at its sole discretion, based on an individual performance assessment, which adopts an objective methodology approved by the Board of Directors, and is informed to the respective Participants, including criteria like results, potential and competencies, certain employees of the Company and/or of controlled companies in non-executive positions (below Executive Manager or another position that might replace it) that are considered in said assessment as "Highlights of the Year". Although it is possible, there is not any rule defining that the Participant should be nominated to participate in this program every year.

"ILP Master Program" means the program, subject to this Plan, for which the Committee may nominate annually, at its sole discretion, a selected group of individuals considered as key and critical to the Company, holding executive positions, meaning those Participants holding the position of executive manager or higher (or other positions that might replace them) to participate, whether employees or statutory Management members, based on an individual performance assessment, which adopts an objective methodology approved by the Board of Directors, and is informed to the respective Participants, including criteria like results, potential and competencies. To be entitled to the restricted shares subject matter of the grant, the Participant ought to meet the "stock ownership guideline", which sets forth the following obligations (i) at the final term of the three-year period after the date of grant, (ii) on the last day of May, August and November after the final term of said three-year period until the date of the actual delivery of the restricted shares by the Company, and (iii) on the date of the actual delivery of the restricted shares by the Company, prove he/she is the holder of the Company shares whose market value corresponds to twelve (12) monthly fixed gross salaries. In case the dates to prove the ownership of the shares referred to in the sentence above coincide with periods forbidding the negotiation of Company shares, the verification will be done on the second business day immediately after the date on which the period of the corresponding prohibition ends. In case the Participant does not meet any of these conditions, he/she will not be entitled to receive the restricted shares at the end of the grace period. The Participant is the sole responsible for ensuring the compliance with these conditions, considering any variations in the value of his/her monthly fixed gross salary, as well as any variations in the market value of the Company's share. Although it is possible, there are no rules that require the Participant to be nominated every year to take part in this program.

"ILP Performance Program" means the program, subject to this Plan, for which Company executives are eligible to participate annually, as nominated by the Committee at its sole discretion, meaning those Participants holding the position of executive manager or higher (or other positions that might replace them), whether employees or statutory Management members, based on the achievement of Company's



internal and external long-term performance indicators established annually by the Board of Directors and informed to the Participants, and the individual performance assessment, which adopts an objective methodology approved by the Board of Directors, also informed to the respective Participants, including criteria like results, potential and competencies.

“Change of Control” means either of the following events: (i) the acquisition of 30% or more of the shares representing the Company’s capital stock by one shareholder or group of shareholders representing a common interest; or (ii) a corporate reorganization, including consolidation, acquisition, merger of shares, spin-off followed by the merger of the spin-off portion or any similar transaction resulting in the title of 30% or more of the shares representing the capital stock of the resulting company by one shareholder or group of shareholders representing a common interest.

2 PURPOSES OF THE PLAN

The Plan aims to: (i) set forth some rules so that Participants can receive Shares without having to pay a price for them; (ii) increase the alignment of interests of Participants in the medium and long term with the shareholders' interests, increasing the Participants' sense of ownership and commitment through the concepts of investment and risk; (iii) strengthen the Participants' incentives for long-term permanence and stability, within the context of a publicly-held company; and (iv) foster the increase in the Company's long-term performance, as determined through business indicators.

3 MANAGEMENT OF THE PLAN

3.1 This Plan will be managed by the Committee, with full authority to manage and construe it, having, among others, the authority necessary to:

- (i) approve the Programs set forth in this Plan, as well as their corresponding regulations;
- (ii) decide on any and all measures related to the management of this Plan, and construe and apply the general rules set forth herein;
- (iii) select, among the persons eligible to participate in this Plan, those who will participate in it in a certain fiscal year or set forth the criteria for their determination;
- (iv) determine the number of Restricted Shares to be granted to each Participant, in view of the quantitative limit set forth in Clause 7;
- (v) approve the Agreement to be executed by and between the Company and each one of the Participants;
- (vi) amend the Program provisions as necessary towards the management of this Plan, as well as to meet Company interests, as long as (a) such amendments do not violate the provisions of this Plan or of the Programs; or (b) Participants’ rights arising from or related to this Plan are not harmed. This limitation excludes any adaptations that the Committee might perform in consequence of changes implemented in the law in force;
- (vii) examine exceptional cases arising from or related to this Plan; and



(viii) solve questions on the construction of the general rules set forth in this Plan and handle the omitted cases.

3.2 The Committee decisions will have a binding nature on the Company and the Participants, when they are made in compliance with this Plan, the respective Program or the applicable laws.

3.3 None of the Participants may be a Committee member, or attend discussions within its scope concerning this Plan or any Program or Agreement. In case a Committee member is nominated to participate in any of the Programs, his/her adhesion is conditioned on his/her prior resignation to the position of Committee member.

3.4 Further, none of the Participants may, in any other bodies of the Company management, attend discussions or vote for any matter in which the Participant has a potential interest as regards this Plan, the Programs or any Agreement, as well as concerning his/her individual compensation within the scope of this Plan.

4 PLAN PARTICIPANTS AND DISTRIBUTION OF THE RESTRICTED SHARES

4.1 Employees and statutory Management members meeting the criteria set forth for the corresponding Programs are eligible to participate in the Plan, including featured individuals in their respective fields and executives holding certain positions selected by the Committee.

4.2 The Committee is in charge of nominating the Participants among those eligible employees and statutory Management members, as well as approve the distribution of the Restricted Shares within their scope.

4.3 The Committee will nominate annually the employees and statutory Management members eligible to participate in each one of the Programs or set forth the criteria for their determination.

5 SHARE-BASED INCENTIVE PROGRAMS

5.1 Subject to the provisions of this Plan, the Committee is in charge of approving and regulating the Programs constituting this Plan, as well as approving the corresponding Agreements.

5.2 The granting of incentives to each Participant is made through the execution of the corresponding Agreement, providing on the grant of the respective Restricted Shares, as well as the terms and conditions for their granting. The execution of the Agreement by the Participant implies the acceptance of all the conditions of this Plan, as well as those of the corresponding Program.

5.3 The Restricted Shares granted within the scope of each one of the Programs are granted in full at the end of the applicable Grace Periods.

5.4 The Committee should implement annual cycles of granting for each one of the Programs, in accordance with the criteria defined therein, and the maximum limit of shares that can be granted within the scope of this Plan, as set forth in Clause 7.1.

5.5 The number of shares granted in each one of the Programs will be stipulated based on the value of the compensation freely assigned to each one of the Participants, within the scope of the respective Programs, as recommended by the Committee, in accordance with the individual assessment and performance criteria of each Participant, as well as on the market positioning references in relation to the anchoring and



alignment of the executive compensation package. This value will be divided by the reference price of the Company shares, calculated as described in section 8.2 below.

5.6 Discretionary Bonus in Restricted Shares. In accordance with the dilution limit of the Plan described in Clause 7.1, and in view of the number of Restricted Shares to be delivered to the Participants within the scope of the ILP Master, ILP Performance and “ILP Destaques” Programs, the Committee may, with the aim to attract and retain certain key individuals of the Company and/or controlled companies of the Company, at its sole discretion, use any remaining Restricted Shares within the scope of this Plan for additional granting to the Participants, in restricted quantity.

5.6.1 The grant of Restricted Shares within the scope of this Clause is subject to any grace periods, Participant termination rules and other specific terms and conditions freely defined by the Committee, as established in the corresponding Agreements.

5.6.2 The grace period of the Restricted Shares granted within the scope of this Clause will be at least three (3) years from the date of grant of the Restricted Shares.

6 RESTRICTED SHARE GRANTING AGREEMENT

6.1 The Committee will set forth the terms and conditions of the Agreement, in accordance with the terms and conditions of this Plan and the corresponding Programs.

6.2 The Participants and the Company will execute the corresponding Agreements, which will define the quantity of Restricted Shares to which the Participant will be entitled if the conditions set forth in this Plan, in the Programs and in the Agreement are met, as determined by the criteria defined by the Committee, and, as provided for in Clause 8.3 below, decreased by an amount corresponding to the total value of any withholding income tax, social security contributions and labor charges due and payable.

6.3 The Company's obligation to transfer the Restricted Shares within the scope of this Plan is subject to (i) the execution of an Agreement with each one of the Participants, (ii) the continuity of the employment and/or statutory relationship, as the case may be, of each Participant with the Company until the end of the applicable Grace Period; (iii) meeting the performance targets set forth for the Participants, in the case of the Performance Plan, as described in the corresponding Agreements; (iv) meeting the stock ownership guidelines set forth in the ILP Master Program; and (v) any other conditions set forth in the corresponding Programs and Agreements.

7 QUANTITATIVE LIMIT

7.1 Restricted Shares that under this Plan represent, at most, 5.68% (five point sixty-eight per cent) of the Company's capital stock when added to the Restricted Shares delivered within the scope of ILP 2015 (as defined in Clause 16.4), can be delivered.

7.2 For the purposes of this Plan, Shares maintained as treasury stock presently or that the Company acquired for such purpose will be used, in compliance with applicable regulations. Alternatively, the Company may choose to perform the payment related to the Restricted Shares in cash, under the price criteria defined in Clause 8.2.



8 RESTRICTED SHARE GRANTING PRICE

- 8.1 The Restricted Shares are granted to the Participants without consideration, provided the terms of this Plan, especially the Grace Periods and the rules contained in each Agreement, are complied with.
- 8.2 The reference price of the Restricted Shares for the aims of the Plan corresponds to the average closing quotation of the Company shares in the sixty (60) trading days prior to the date of grant or another value in accordance with criteria defined by the Committee and that reflects the market value of the Shares.
- 8.3 The Company will hold and sell a portion of the Restricted Shares to pay for the Withholding Income Tax and any other taxes owed by the Participant, levied on the total number of Restricted Shares to which the Participant is entitled. Thus, only the number of Restricted Shares net of those necessary to cover the costs with Withholding Income Tax and other taxes owed by the Participant will be actually transferred to the Participant.
- 8.4 The number, kind and class of the Restricted Shares in the Agreement will be adjusted as the Committee deems fit in view of (i) change in the Company's capital structure; (ii) bonus, split or inplit of Shares made by the Company; or (iii) any corporate reorganizations, recapitalization, consolidations, mergers, exchange of Shares, spin-offs, liquidation or dissolution involving the Company.

9 TRANSFERS OF RESTRICTED SHARES

- 9.1 Subject to the continuity of the employment and/or statutory relationship, as the case may be, of the Participant with the Company and/or with controlled companies of the Company until the end of the applicable Grace Period and the rules contained in each Agreement, the Company will transfer the Restricted Shares to the Participant within sixty (60) days from the end of the Grace Period, as applicable, as well as under the terms of the Agreement.

10 NO INTERFERENCE IN THE EMPLOYMENT OR STATUTORY RELATIONSHIP

None of the provisions set forth in this Plan may be construed as constituting rights to Participants who are whether employees and/or statutory Management members, as the case may be, in addition to those inherent to Restricted Shares, nor will any provision confer rights to the Participants regarding the guarantee to be maintained as an employee and/or statutory executive officer of the Company and/or with controlled companies of the Company, or in any way will it interfere with the right of the Company, subject to the legal conditions and those arising from the employment agreement or management contract (in the case of statutory Participants not bound by an employment agreement), to terminate at any time the relationship with the Participant.

11 TERMINATION

- 11.1 In case of Termination of the Participant at his/her own initiative or for cause at any moment during the Grace Periods, as applicable, the Participant will be no longer entitled to receive Restricted Shares. Notwithstanding, the Participant will preserve the right of ownership on any Restricted Shares belonging to him/her upon the Termination, due to the elapse of the applicable Grace Periods.
- 11.2 In compliance with the deadline set forth in Clause 9.1 above, in case of Termination of the Participant at the Company's initiative, without cause, or upon mutual agreement, the Participant will be entitled to



receive proportionally the Restricted Shares subject matter of the granting, in accordance with the time already elapsed of the applicable Grace Periods calculated until the actual date of Termination. As for the ILP Performance Program, the shares will be transferred only at the end of the respective Grace Period and subject to the determination of the performance targets set forth in the Agreement. For purposes of proportionality, a full working month is considered as the one with at least 15 working days.

- 11.3 In compliance with the deadline set forth in Clause 9.1 above, in case of compulsory retirement, the Participant will be entitled to receive in full the Restricted Shares that have been granted to him/her, with the early expiration of the Grace Periods then in force, except in the case of the ILP Performance Program, where the payment will become due and payable only at the end of the respective Grace Period and subject to the determination of the performance targets set forth in the Agreement.
- 11.4 In the event of Change of Control, if the Participant is terminated involuntarily from the Company, under the terms of Clause 11.2 above, within twelve (12) months from said event, he/she will be entitled to receive the Restricted Shares in full, in accordance with the existing performance indicators and informed to the Participant upon the event in question. The provisions above apply after said twelve (12) months.
- 11.5 The Committee regulates other Termination cases not described above.

12 DEATH, DISAPPEARANCE OR PERMANENT DISABILITY

- 12.1 In the event of death, disappearance or permanent disability of the Participant, all the Grace Periods will be deemed as expired earlier, upon the death, disappearance or declaration of disability of the Participant by the Brazilian National Social Security Institute. This will make him/her or his/her respective successors, as applicable, entitled to receive the Restricted Shares in full within one hundred and eighty (180) days from the event in question. In case of the ILP Performance Program, the determination of the performance indicators will be disregarded, and the number of Restricted Shares established in the Agreement will be transferred.

13 DELIMITATION OF PARTICIPANTS' RIGHTS

- 13.1 None of the Participants will have any rights and privileges of a Company shareholder until the date of transfer of the Restricted Shares to the Participants.

14 DIVIDENDS AND BONUSES

- 14.1 The Restricted Shares will be entitled to the dividends, interest on the stockholders' equity and other payments (in full, under equal conditions with the other Company shareholders) declared by the Company only from the date of the actual transfer of the ownership of the Restricted Shares to the Participants.

15 EFFECTIVE DATE AND TERMINATION OF THE PLAN

- 15.1 The Plan becomes effective on the date of its approval by the Company's General Meeting, and remains effective until December 14, 2025, the final term of effectiveness of the Share-based Incentive and Retention Plan approved at the General Meeting held on December 15, 2015 and amended on April 5, 2018 and April 18, 2019, which will be superseded by this Plan, as regulated in Clause 16.4 below. The Agreements entered based on the Plan will remain in force until the obligations agreed therein are met,



even if for such purpose the corresponding effectiveness extends beyond the final term of the effectiveness set forth for the Plan herein.

- 15.2 In the event of dissolution, conversion, merger, consolidation, spin-off or reorganization of the Company, whereby the Company is not the surviving company or, if it is the surviving company, it does not have its shares accepted to be negotiated in stock exchanges anymore, the effective Agreements, at the Committee's discretion, may: (i) be transferred to the new company; or (ii) have their Grace Periods accelerated, as applicable.

16 COMPLEMENTARY PROVISIONS

- 16.1 Any right to receive Restricted Shares in accordance with this Plan is subject to all terms and conditions set forth herein. Such terms and conditions prevail in case of inconsistencies regarding provisions of any agreement or document mentioned in this Plan.
- 16.2 In the interest of the Company and its shareholders, the Committee may either terminate or discontinue the Plan, or even, revise the Plan conditions, provided this does not change the corresponding basic principles, especially the maximum limits to transfer Restricted Shares as approved by the General Meeting. Further, the General Meeting may approve a new share-based incentive plan of the Company, including in order to allow for the acquisition of shares in excess of the maximum limits approved in this Plan.
- 16.3 The Committee may also establish a particular treatment for special cases and situations during the Plan term. It can also decide to grant additional Restricted Shares, provided this does not affect the rights already granted to the Participants and complies with the quantitative limit set forth in Clause 7.1. Such particular treatment does not constitute a precedent to be claimed by other Participants.
- 16.4 This Plan will supersede, as of January 1, 2022, the Share-Based Incentive and Retention Plan approved at the General Meeting held on December 15, 2015 and amended on April 5, 2018 and April 18, 2019 ("ILP 2015"). The granting of Restricted Shares performed according to ILP 2015 remains unchanged and in force until December 31, 2021.
- 16.5 The Committee regulates the cases omitted in this Plan.

* * * *



EXHIBIT VI

INFORMATION REQUIRED BY APPENDIX 13 OF CVM INSTRUCTION 481/09

MANAGEMENT'S PROPOSAL - COMPENSATION PLAN

There is no related party, as defined by the accounting rules that govern with this matter, that has a special interest in the approval of the Share-based Compensation Plan of TOTVS S.A.

1. Provide a copy of the proposed plan

1 DEFINITIONS:

"Shares": means the common shares issued by the Company.

"Restricted Shares" means the Shares that will be delivered to the corresponding Participants, under the terms of this Plan and the Programs.

"CLT" means the Brazilian Labor Laws (Consolidation of Labor Laws).

"Committee" means the Company's Personnel and Compensation Committee, as provided for in its Bylaws, or another Committee that may be specifically created or appointed by the Board of Directors to manage the Plan, the members of which are not eligible Participants under this Plan.

"Board of Directors" means the Board of Directors of the Company.

"Agreement" means the Share Granting Agreement and Other Covenants approved by the Board of Directors, to be executed by and between the Company and each Participant within the scope of the corresponding Programs.

"Company": means the Brazilian corporation known as TOTVS S.A.

"Termination": means any action or fact that puts an end to the Participant's legal relationship with the Company, except in cases of retirement by the Brazilian National Social Security Institute (INSS) due to permanent disability, death, or court declaration of absence due to the Participant's disappearance. The word 'termination' covers, among other, the Participant's voluntary dismissal, resignation, dismissal, replacement or absence of reelection as statutory officer or director without an employer-employee relationship, and termination of employment agreement for any reason, for cause or not, at the initiative of either party, or by mutual agreement.

"Participants" means the employees and management members of the Company and its subsidiaries who are considered eligible under each of the Programs, excluding members of the Committee, who may be appointed annually by the Committee to participate in the Plan.



"Grace Periods" means the Grace Period for the "ILP Destaques" Program, the Grace Period for the ILP Performance Program, and the Grace Period for the ILP Master Program considered together.

"Grace Period for the ILP Destaques Program" means the grace period of 3 (three) years from the signature of the respective Agreement, after which the Participant acquires the right to become the holder of the Restricted Shares granted under the ILP Destaques Program, and the Company shall transfer the Restricted Shares to the Participant under the terms of the Agreement.

"Grace Period of the ILP Performance Program": means the grace period of 3 (three) years from the execution of the corresponding Agreement, after which the Participant acquires the right to become holder of the Restricted Shares granted under the ILP Performance Program and the Company shall transfer the Restricted Shares to the Participant under the terms of the Agreement, subject to the achievement of the Company's long-term, internal and external performance indicators, as provided for in the corresponding Agreement.

"Grace Period for the ILP Master Program" means the grace period of 5 (five) years from the signature of the respective Agreement, after which the Participant acquires the right to become the holder of the Restricted Shares granted under the ILP Master Program, and the Company shall transfer the Restricted Shares to the Participant under the terms of the Agreement.

"Plan" means this Share-Based Incentive Plan.

"Programs" together means the ILP Destaques Program, the ILP Performance Program, and the ILP Master Program.

"ILP Destaques Program" means the program, subject to this Plan, for which the Committee may nominate participants, annually, at its sole discretion, based on an individual performance assessment, which adopts an objective methodology approved by the Board of Directors, and is informed to the corresponding Participants, which includes criteria such as results achieved, potential, and competencies, certain employees of the Company and/or controlled companies in non-executive positions (below the Executive Manager or other position that may replace him) who are considered, in the above-mentioned assessment, "Highlights of the Year". Although it is possible, there are no rules that require the Participant to be nominated every year to take part in this program.

"ILP Master Program" means the program, subject to this Plan, for which the Committee may nominate annually, at its sole discretion, a selected group of individuals considered as key and critical to the Company, holding executive positions, meaning those Participants holding the position of executive manager or higher (or other positions that might replace them) to participate, whether employees or statutory Management members, based on an individual performance assessment, which adopts an objective methodology approved by the Board of Directors, and is informed to the corresponding Participants, including criteria like results, potential and competencies. To be entitled to the restricted shares subject matter of the grant, the Participant ought to meet the "stock ownership guideline", which sets forth the following obligations (i) at the final term of the three-year period after the date of grant, (ii) on the last day of May, August and November after the final term of said three-year period until the date of the actual delivery of the restricted shares by the Company, and (iii) on the date of the actual delivery of the restricted shares by the Company, prove he/she is the holder of the Company shares whose market value corresponds to twelve (12) monthly fixed gross salaries. In case



the dates to prove the ownership of the shares referred to in the sentence above coincide with periods forbidding the negotiation of Company shares, the verification will be done on the second business day immediately after the date on which the period of the corresponding prohibition ends. In case the Participant does not meet any of these conditions, he/she will not be entitled to receive the restricted shares at the end of the grace period. The Participant is the sole responsible for ensuring the compliance with these conditions, considering any variations in the value of his/her monthly fixed gross salary, as well as any variations in the market value of the Company's share. Although it is possible, there are no rules that require the Participant to be nominated every year to take part in this program.

"ILP Performance Program" means the program, subject to this Plan, for which Company executives are eligible to participate annually, as nominated by the Committee at its sole discretion, meaning those Participants holding the position of executive manager or higher (or other positions that might replace them), whether employees or statutory Management members, based on the achievement of Company's internal and external long-term performance indicators established annually by the Board of Directors and informed to the Participants, and the individual performance assessment, which adopts an objective methodology approved by the Board of Directors, also informed to the respective Participants, including criteria like results, potential and competencies.

"Change of Control" means either of the following events: (i) the acquisition of 30% or more of the shares representing the Company's capital stock by one shareholder or group of shareholders representing a common interest; or (ii) a corporate reorganization, including consolidation, acquisition, merger of shares, spin-off followed by the merger of the spin-off portion or any similar transaction resulting in the title of 30% or more of the shares representing the capital stock of the resulting company by one shareholder or group of shareholders representing a common interest.

2 PURPOSES OF THE PLAN

The Plan aims to: (i) set forth some rules so that Participants can receive Shares without having to pay a price for them; (ii) increase the alignment of interests of Participants in the medium and long term with the shareholders' interests, increasing the Participants' sense of ownership and commitment through the concepts of investment and risk; and (iii) strengthen the Participants' incentives for long-term permanence and stability, within the context of a publicly-held company; and (iv) foster the increase in the Company's long-term performance, as determined through business indicators.

3 MANAGEMENT OF THE PLAN

- 3.1 This Plan will be managed by the Committee, with full authority to manage and construe it, having, among others, the authority necessary to:
- (i) approve the Programs set forth in this Plan, as well as their corresponding regulations;
 - (ii) decide on any and all measures related to the management of this Plan, and construe and apply the general rules set forth herein;
 - (iii) select, among the persons eligible to participate in this Plan, those who will participate in it in a certain fiscal year or set forth the criteria for their determination;



- (iv) determine the number of Restricted Shares to be granted to each Participant, in view of the quantitative limit set forth in Clause 7;
- (v) approve the Agreement to be entered into between the Company and each of the Participants;
- (vi) amend the Program provisions as necessary towards the management of this Plan, as well as to meet Company interests, as long as (a) such amendments do not violate the provisions of this Plan or of the Programs; or (b) Participants' rights arising from or related to this Plan are not harmed. This limitation excludes any adaptations that the Committee might perform in consequence of changes implemented in the law in force;
- (vii) examine exceptional cases arising from or related to this Plan; and
- (viii) settle questions on the interpretation of the general rules set forth in this Plan and handle the omitted cases.

3.2 The Committee decisions will have a binding nature on the Company and the Participants, when they are made in compliance with this Plan, the respective Program or the applicable laws.

3.3 None of the Participants may be a Committee member, or attend discussions within its scope concerning this Plan or any Program or Agreement. In case a Committee member is nominated to participate in any of the Programs, his/her adhesion is conditioned on his/her prior resignation to the position of Committee member.

3.4 Further, none of the Participants may, in any other bodies of the Company management, attend discussions or vote for any matter in which the Participant has a potential interest as regards this Plan, the Programs or any Agreement, as well as concerning his/her individual compensation within the scope of this Plan.

4 PARTICIPANTS IN THE PLAN AND DISTRIBUTION OF RESTRICTED SHARES

4.1 Employees and statutory Management members meeting the criteria set forth for the corresponding Programs are eligible to participate in the Plan, including featured individuals in their respective fields and executives holding certain positions selected by the Committee.

4.2 The Committee is responsible for nominating the Participants among those eligible employees and statutory Management members, as well as approve the distribution of the Restricted Shares within their scope.

4.3 The Committee will nominate annually the employees and statutory Management members eligible to participate in each one of the Programs or set forth the criteria for their determination.

5 SHARE-BASED INCENTIVE PROGRAMS

5.1 Subject to the provisions of this Plan, the Committee is in charge of approving and regulating the Programs constituting this Plan, as well as approving the corresponding Agreements.



- 5.2 The granting of incentives to each Participant is made through the execution of the corresponding Agreement, providing on the grant of the respective Restricted Shares, as well as the terms and conditions for their granting. The execution of the Agreement by the Participant implies the acceptance of all the conditions of this Plan, as well as those of the corresponding Program.
- 5.3 The Restricted Shares granted within the scope of each one of the Programs are granted in full at the end of the applicable Grace Periods.
- 5.4 The Committee should implement annual cycles of granting for each one of the Programs, in accordance with the criteria defined therein, and the maximum limit of shares that can be granted within the scope of this Plan, as set forth in Clause 7.1.
- 5.5 The number of shares granted in each one of the Programs will be stipulated based on the value of the compensation freely assigned to each one of the Participants, within the scope of the respective Programs, as recommended by the Committee, in accordance with the individual assessment and performance criteria of each Participant, as well as on the market positioning references in relation to the anchoring and alignment of the executive compensation package. This value will be divided by the reference price of the Company shares, calculated as described in section 8.2 below.
- 5.6 Discretionary Bonus in Restricted Shares. In accordance with the dilution limit of the Plan described in Clause 7.1, and in view of the number of Restricted Shares to be delivered to the Participants within the scope of the ILP Master, ILP Performance and "ILP Destaques" Programs, the Committee may, with the aim to attract and retain certain key individuals of the Company and/or controlled companies of the Company, at its sole discretion, use any remaining Restricted Shares within the scope of this Plan for additional granting to the Participants, in a restricted number.
- 5.6.1 The granting of Restricted Shares within the scope of this Clause is subject to any grace periods, Participant termination rules and other specific terms and conditions freely defined by the Committee, as established in the corresponding Agreements.
- 5.6.2 The grace period of the Restricted Shares granted within the scope of this Clause will be at least three (3) years from the date of grant of the Restricted Shares.

6 RESTRICTED SHARE GRANTING AGREEMENT

- 6.1 The Committee will set forth the terms and conditions of the Agreement, in accordance with the terms and conditions of this Plan and the corresponding Programs.
- 6.2 The Participants and the Company will execute the corresponding Agreements, which will define the number of Restricted Shares to which the Participant will be entitled if the conditions set forth in this Plan, in the Programs and in the Agreement are met, as determined by the criteria defined by the Committee, and, as provided for in Clause 8.3 below, decreased by an amount corresponding to the total value of any withholding income tax, social security contributions and labor charges due and payable.
- 6.3 The Company's obligation to transfer the Restricted Shares within the scope of this Plan is subject to (i) the execution of an Agreement with each one of the Participants, (ii) the continuity of the employment and/or statutory relationship, as the case may be, of each Participant with the Company until the end



of the applicable Grace Period; (iii) meeting the performance targets set forth for the Participants, in the case of the Performance Plan, as described in the corresponding Agreements; (iv) meeting the stock ownership guidelines set forth in the ILP Master Program; and (v) any other conditions set forth in the corresponding Programs and Agreements.

7 QUANTITATIVE LIMIT

- 7.1 Restricted Shares that under this Plan represent, at most, 5.68% (five point sixty-eight per cent) of the Company's capital stock when added to the Restricted Shares delivered within the scope of ILP 2015 (as defined in Clause 16.4) , can be delivered.
- 7.2 For the purposes of this Plan, Shares maintained as treasury stock presently or that the Company acquired for such purpose will be used, in compliance with applicable regulations. Alternatively, the Company may choose to perform the payment related to the Restricted Shares in cash, under the price criteria defined in Clause 8.2.

8 RESTRICTED SHARE GRANTING PRICE

- 8.1 The Restricted Shares are granted to the Participants without consideration, provided the terms of this Plan, especially the Grace Periods and the rules contained in each Agreement, are complied with.
- 8.2 The reference price of the Restricted Shares for the aims of the Plan corresponds to the average closing quotation of the Company shares in the sixty (60) trading days prior to the date of grant or another value in accordance with criteria defined by the Committee and that reflects the market value of the Shares.
- 8.3 The Company will hold and sell a portion of the Restricted Shares to pay for the Withholding Income Tax and any other taxes owed by the Participant, levied on the total number of Restricted Shares to which the Participant is entitled. Thus, only the number of Restricted Shares net of those necessary to cover the costs with Withholding Income Tax and other taxes owed by the Participant will be actually transferred to the Participant.
- 8.4 The number, kind, and class of the Restricted Shares in the Agreement will be adjusted as the Committee deems fit in view of (i) change in the Company's capital structure; (ii) bonus, split or inplit of Shares made by the Company; or (iii) any corporate restructuring, recapitalization, consolidations, mergers, exchange of Shares, spin-offs, liquidation or dissolution involving the Company.

9 TRANSFERS OF RESTRICTED SHARES

- 9.1 Subject to the continuation of the employment agreement and/or statutory bond, as the case may be, between the Participant and the Company and/or the Company's controlled companies until the end of the applicable Grace Period and the rules contained in each Agreement, the Restricted Shares will be transferred by the Company to the Participant within 60 (sixty) days from the end of the Grace Period, as applicable, as well as under the terms of the Agreement.



10 NO INTERFERENCE IN THE EMPLOYMENT OR STATUTORY RELATIONSHIP

None of the provisions set forth in this Plan may be construed as constituting rights to Participants who are whether employees and/or statutory Management members, as the case may be, in addition to those inherent to Restricted Shares, nor will any provision confer rights to the Participants regarding the guarantee to be maintained as an employee and/or statutory executive officer of the Company and/or with controlled companies of the Company, or in any way will it interfere with the right of the Company, subject to the legal conditions and those arising from the employment agreement or management contract (in the case of statutory Participants not bound by an employment agreement), to terminate at any time the relationship with the Participant.

11 TERMINATION

- 11.1 In case of Termination of the Participant at his/her own initiative or for cause at any moment during the Grace Periods, as applicable, the Participant will be no longer entitled to receive Restricted Shares. Notwithstanding, the Participant will preserve the right of ownership on any Restricted Shares belonging to him/her upon the Termination, due to the elapse of the applicable Grace Periods.
- 11.2 In compliance with the deadline set forth in Clause 9.1 above, in case of Termination of the Participant at the Company's initiative, without cause, or upon mutual agreement, the Participant will be entitled to receive proportionally the Restricted Shares subject matter of the granting, in accordance with the time already elapsed of the applicable Grace Periods calculated until the actual date of Termination. As for the ILP Performance Program, the shares will be transferred only at the end of the respective Grace Period and subject to the determination of the performance goals set forth in the Agreement. For the purposes of proportionality, a full working month is considered as the one with at least 15 working days.
- 11.3 In compliance with the deadline set forth in Clause 9.1 above, in case of compulsory retirement, the Participant will be entitled to receive in full the Restricted Shares that have been granted to him/her, with the early expiration of the Grace Periods then in force, except in the case of the ILP Performance Program, where the payment will become due and payable only at the end of the respective Grace Period and subject to the determination of the performance goals set forth in the Agreement.
- 11.4 In the event of Change of Control, if the Participant is terminated involuntarily from the Company, under the terms of Clause 11.2 above, within twelve (12) months from said event, he/she will be entitled to receive the Restricted Shares in full, in accordance with the existing performance indicators and informed to the Participant upon the event in question. The provisions above apply after said twelve (12) months.
- 11.5 The other cases of Termination not provided for above will be provided for by the Committee.

12 DEATH, DISAPPEARANCE OR PERMANENT DISABILITY

- 12.1 In the event of death, disappearance or permanent disability of the Participant, all the Grace Periods will be deemed as expired earlier, upon the death, disappearance or declaration of disability of the Participant by the Brazilian National Social Security Institute. This will make him/her or his/her respective successors, as applicable, entitled to receive the Restricted Shares in full within one hundred and eighty (180) days from the event in question. In case of the ILP Performance Program, the determination of



the performance indicators will be disregarded, and the number of Restricted Shares set forth in the Agreement will be transferred.

13 DELIMITATION OF PARTICIPANT'S RIGHTS

- 13.1 None of the Participants will have any rights and privileges of a Company shareholder until the date of transfer of the Restricted Shares to the Participants.

14 DIVIDENDS AND BONUSES

- 14.1 The Restricted Shares will be entitled to the dividends, interest on the stockholders' equity and other payments (in full, under equal conditions with the other Company shareholders) declared by the Company only from the date of the actual transfer of the ownership of the Restricted Shares to the Participants.

15 EFFECTIVE DATE AND TERMINATION OF THE PLAN

- 15.1 The Plan becomes effective on the date of its approval by the Company's General Meeting, and remains effective until December 14, 2025, the final term of effectiveness of the Share-based Incentive and Retention Plan approved at the General Meeting held on December 15, 2015 and amended on April 5, 2018 and April 18, 2019, which will be superseded by this Plan, as regulated in Clause 16.4 below. The Agreements entered based on the Plan will remain in force until the obligations agreed therein are met, even if for such purpose the corresponding effectiveness extends beyond the final term of the effectiveness set forth for the Plan herein.
- 15.2 In the event of dissolution, conversion, merger, consolidation, spin-off or reorganization of the Company, whereby the Company is not the surviving company or, if it is the surviving company, it does not have its shares accepted to be negotiated in stock exchanges anymore, the effective Agreements, at the Committee's discretion, may: (i) be transferred to the new company; or (ii) have their Grace Periods accelerated, as applicable.

16 COMPLEMENTARY PROVISIONS

- 16.1 Any right to receive Restricted Shares in accordance with this Plan is subject to all terms and conditions set forth herein. Such terms and conditions prevail in case of inconsistencies regarding provisions of any agreement or document mentioned in this Plan.
- 16.2 In the interest of the Company and its shareholders, the Committee may either terminate or discontinue the Plan, or even, revise the Plan conditions, provided this does not change the corresponding basic principles, especially the maximum limits to transfer Restricted Shares as approved by the General Meeting. The General Meeting may also approve a new incentive plan based on the Company's shares, also to allow the acquisition of shares that exceed the maximum limits approved in this Plan.
- 16.3 The Committee may also establish a particular treatment for special cases and situations during the Plan term. It can also decide to grant additional Restricted Shares, provided this does not affect the rights already granted to the Participants and complies with the quantitative limit set forth in Clause 7.1. Such particular treatment will not constitute a precedent able to be claimed by other Participants.



16.4 This Plan will supersede, as of January 1, 2022, the Share-Based Incentive and Retention Plan approved at the General Meeting held on December 15, 2015 and amended on April 5, 2018 and April 18, 2019 ("ILP 2015"). The granting of Restricted Shares performed in accordance with ILP 2015 remains unchanged and in force until December 31, 2021.

16.5 The Committee regulates the cases omitted in this Plan.

2. Inform the main characteristics of the proposed plan, detailing:

a. Potential beneficiaries

The Management members or employees of the Company and its subsidiaries who are considered eligible under each of the Programs (as defined below) (the "Participants") may take part in the Share-Based Incentive Plan of TOTVS S.A. (the "Plan", and the "Company"). The appointment of Participants will be the responsibility of the Personnel and Compensation Committee of the Company, as provided for in its Bylaws, or another Committee that may be specifically created or appointed by the Board of Directors to manage the Plan (the "Committee"). Committee members cannot be nominated to participate in the Plan.

The Committee's choice of Participants will be made under the programs described in the Plan, namely: (i) ILP Destaques; (ii) ILP Master; and (iii) ILP Performance (as collectively defined in the Plan, the "Programs"), under which Participants will be granted common stock issued by the Company ("Restricted Shares").

Employees of the Company and/or its subsidiaries who hold non-executive positions (below executive manager or any other function that replaces it) and are considered by the Committee as "Highlights of the Year" may take part in the ILP Destaques Program. Such evaluation, made at the Committee's sole discretion, will be based on the employee's individual performance and follows an objective methodology that has been approved by the Board of Directors and disclosed to Participants. The methodology includes criteria such as results, potential and competencies applied to select employees with outstanding performance.

Those people appointed by the Committee, at its sole discretion, and considered critical to the Company, may take part in the ILP Master Program. They comprise employees and managers named in the Company's Bylaws who hold C-level positions, considered to be those Participants who are executive managers or have a more senior job (or any other functions that replaces them). Their individual performance is evaluated under an objective methodology that has been approved by the Board of Directors and disclosed to Participants. The methodology includes criteria such as results, potential and competencies applied to select those to participate in the Program.

The Company's executives, considered to be Participants who are executive managers or have a more senior job (or any other functions that replaces them) may take part in the ILP Performance Program. They comprise employees and managers named in the Company's Bylaws, who are chosen by the Committee, at its sole discretion, upon their compliance with the Company's internal and external long-term performance indicators, which are annually set by the Board of Directors and disclosed to Participants, and based on their individual performance, which is evaluated under an objective methodology that has been approved by the Board of



Directors and also disclosed to Participants. The methodology includes criteria such as results, potential and competencies applied to select those to participate in the Program. The focus on individual performance allows the Company to grant a different number of shares to each participant. To that end the Company relies on moderate leveraging as a deflator or accelerator within a range of 0%-130% of the reference amounts it adopts to align its executive compensation package with the market benchmark on the granting date.

b. Maximum number of stock options to be granted

Not applicable, considering that no stock options will be granted under the Plan.

c. Maximum number of shares covered by the plan

The maximum number of shares to be granted under the Plan may not be, when added to the Restricted Shares granted under the Share-based Incentive Plan approved by shareholders at meetings held on December 15, 2015, April 5, 2018 and April 18, 2019, higher than five point sixty-eight percent (5.68%) of the Company's capital stock which, on this date, totals 32,825,468 shares.

d. Vesting conditions

Vesting conditions will be applicable as per the Program the Participant is eligible to participate in. Nonetheless, it will be the Committee's responsibility, in compliance with each Program's selection criteria, to annually select Participants to each of the Programs.

In order to be granted Restricted Shares under the ILP Master Program, the Participant must prove to be the owner of Company stock whose market value is twelve (12) monthly fixed gross salaries (i) by the end of a three-year period following the granting date, (ii) on the last day of the months of May, August and November after the end of the three-year period until the date the Company's Restricted Shares is actually delivered to the Participant. If the dates set for the Participant to produce evidence that they own the stock referred to in the previous sentence coincide with periods during which trading of Company stock is forbidden, such verification will be made on the second business day immediately after the date when the period during which trading of Restricted Shares is forbidden ends. If the Participant fails to meet any of these conditions, they will not be entitled to receive Restricted Shares at the end of the grace period.

The number of Restricted Shares to be transferred to Participants under the ILP Performance Program after the three(3)-year grace period will range from 70% to 130% according to whether the Participant meets long-term performance goals set forth under the related agreements. The focus will be on striking a proper balance between management impact and shareholder return. For the first grant under the program, scheduled for 2022, the Company will measure the Participants' performance by combining the following indicators:

Total Shareholder Return ("TSR") assessed by comparison with the TSR reported by companies that are included in the IBx-50 index. This index is the price-weighted average of 50 assets that are the most traded and representative in the Brazilian stock market. TOTVS stocks were included in this index in 2021.



Evolution of Earnings per Share ("EPR") – a metric that measures the ratio between the Company's net profit from continuing operations and the number of shares that make up the Company's stock capital.

Client satisfaction, measured through the NPS (Net Promoter Score) indicator, whose purpose is to measure the degree of loyalty of the clients of companies that operate in any segment, causing an impact on client experience. This indicator is broadly used by most companies due to its simplicity, reliability and flexibility.

The performance indicators proposed for 2022 are strictly related to the company's business and the specific segment in which it operates. They are particularly applicable to TOTVS's main value drivers. These three metrics together allow a closer monitoring of the company's performance.

Each of the Participants will enter into a Share Granting Agreement and other Covenants with the Company, as approved by the Committee and under their related Programs. The Share Granting Agreement and other Covenants sets forth the grant of the Restricted Shares and the terms and conditions of the grant ("Agreement").

The Company's obligation to transfer Restricted Shares to the Participant under the Plan depends (i) on the Company's entering into an Agreement with each of the Participants, (ii) on the continuity of each Participant's employment relationship with the Company and/listing in the Company's Bylaws as a member of the management team until the end of the applicable grace period, as detailed below; (iii) on compliance with performance goals set for Participants under the ILP Performance Program, as provided for in the related Agreements; (iv) on compliance with the stock ownership guideline established under the ILP Master Program and (v) on other conditions that may be set forth under the related Programs and Agreements.

The ILP Destaques Program will be subject to a three (3)-year grace period as from the signature of the related Agreement. After that period, the Participant is entitled to become the owner of Restricted Shares granted under the ILP Destaques Program.

The ILP Performance Program will be subject to a three (3)-year grace period as from the signature of the related Agreement. After that period, the Participant is entitled to become the owner of Restricted Shares granted under the ILP Performance Program.

The ILP Master Program will be subject to a five (5)-year grace period as from the signature of the related Agreement. After that period, the Participant is entitled to become the owner of Restricted Shares granted under the ILP Master Program.

In compliance with the maximum number of Restricted Shares that may be granted under the Plan, and considering the number of Restricted Shares to be delivered to Participants under the Programs, the Committee may, at its sole discretion, in order to attract and retain individuals that are key to the Company and/or its subsidiaries, make use of a possible remaining balance of Restricted Shares under the Plan to grant additional Restricted Shares to Participants, at a limited number. These additional grants will be subject to possible grace periods, Participant termination rules and other specific terms and conditions freely set by the Committee, as set forth under the related Agreements. The grace period to be set by the Committee to that end will be of



three (3) years at least, as from the date the Restricted Share is granted.

e. Detailed criteria for setting the exercise price

The purpose of the Plan, among others, is to give a long-term incentive to Participants by granting them Restricted Share issued by the Company and not making them pay the exercise price for the stock. Therefore, it is not about a stock purchase option pursuant to article 168, paragraph three of Act No. 6,404/76, but compensation consisting of stock granted to Participants.

However, for the purposes of the Plan, the reference price per Restricted Share will be the average closing price of the Company's stock reported over the last sixty (60) trading sessions prior to the granting date or another amount set according to the Committee's criterion that reflects the market value of Restricted Shares.

f. Criteria for setting the exercise deadline

The transfer of Restricted Share will be subject to grace period of 3-5 years, as detailed in item "d" above. Participants will be entitled to receive the total Restricted Shares if they maintain a relationship with the Company until the end of the applicable grace period, according to the specific rules set forth under the Plan, the Programs and the Agreements, particularly when the Participant leaves the Company (i) at their own initiative or is terminated for cause, in which case the Participant will no longer be entitled to receive Restricted Shares; (ii) at the Company's initiative, without cause or by mutual agreement, in which case the Participant will be entitled to receive a portion of the Restricted Shares; (iii) upon their compulsory retirement; or (iv) upon their death, disappearance or permanent disability, in which case the Participant will be entitled to receive the total Restricted Shares.

g. Manner of liquidating options

As mentioned in item "e" above, this is a long-term incentive consisting of granting stock issued by the Company to Participants, who do not give any financial consideration in return. Therefore, once the conditions set forth under the Plan, the Programs and the related Agreement are met, the Participant will be entitled to receive Restricted Shares within sixty (60) days from the end of the grace period. It will be responsibility of the Company's Management to take all measures required to formalize the transfer.

At its discretion, the Company may pay in cash the amount corresponding to the value of Restricted Shares the Participant is entitled to instead of delivering the Restricted Shares to the Participant. If the Company chooses to make a cash payment, the price per share will be the average closing price of the Company's stock reported over the last sixty (60) trading sessions prior to the granting date or another amount set according to the Committee's criterion that reflects the market value of the Stock.

h. Criteria and events that, when reported, will lead to the suspension, change or termination of the plan

To serve the interests of the Company and its shareholders, the Committee may terminate or suspend the Plan,



or else review the Plan's conditions, provided that the Committee does not change the Plan's basic principles, particularly the caps for the transfer of Restricted Shares approved at the shareholders' meeting.

The Committee may also give a certain treatment to special cases and situations while the Plan remains in effect. That includes deciding on the grant of additional Restricted Shares, provided that the rights already vested in Participants are not affected, and in compliance with the limit on the total number of Restricted Shares that may be granted under the Plan.

Although it does not entail the termination, suspension or change of the Plan, in the case of a Change of Control over the Company (as defined under the Plan), if the Participant is terminated from the Company within twelve (12) months after the event, the Participant will be entitled to be fully paid the amount corresponding to the value of the Restricted Shares, in compliance with existing performance indicators disclosed to the Participant upon the occurrence of the event. The provisions above will be applicable after the twelve(12)-month period.

If the Company is dissolved, transformed, merged, taken over, spun off or reorganized in such a manner that the Company is not the remaining company or, if it is the remaining company, ceases to have shares traded at the stock exchange, the Agreements in effect may, at the Committee's criterion: (i) be transferred to the succeeding company; or (ii) have its Grace Periods ended earlier, as applicable.

i. Restrictions on Share transfers

After the Restricted Shares is transferred to Participants, they may sell, transfer or otherwise dispose of it without any restriction

3. Justify the proposed plan, explaining:

a. Main purposes of the plan

The Plan aims to: (i) set forth some rules so that Participants can receive Shares without having to pay a price for them; (ii) increase the alignment of interests of Participants in the medium and long term with the shareholders' interests, increasing the Participants' sense of ownership and commitment through the concepts of investment and risk; and (iii) strengthen the Participants' incentives for long-term permanence and stability, within the context of a publicly-held company; and (iv) foster the increase in the Company's long-term performance, as determined through business indicators.

Each program provided for in the plan has its specific purposes: (i) ILP Performance Program - it aims at recognizing participants according to the Company's long-term performance (*pay for performance*), considering three-year cycles; (ii) ILP Master Program - it aims at retaining executive officers who are critical to the future of TOTVS (*pay for stay*), over a five-year time horizon; and (iii) the ILP Destaques (Highlights) Program - it aims at recognizing the organization's talents, including those holding non-executive positions, disseminating the culture of ownership.



b. The way how the plan contributes to such goals

The granting of Restricted Shares seeks to allow Participants to be aligned with the Company and its shareholders and feel encouraged to become shareholders of the Company, as a consequence of the meritocracy applied by TOTVS, which considers criteria such as the individual performance, potential, and alignment with the skills and culture of TOTVS. As a result, Participants are encouraged to perform their activities in the best interest of the Company and, consequently, of its shareholders, generating value for TOTVS, due to the achievement of long-term goals, in the case of the ILP Performance Program, as well as the Participants investing in shares issued by the Company, in the case of the ILP Master Program, in order to bind to the Company's growth and, consequently, the appreciation of the shares issued by it, to the Participant's financial gain.

The new ILP plan addresses the main opportunities to improve the share-based compensation model adopted by TOTVS in order to adapt to the best market practices and international standards by: (i) changing the mechanics thereof to define the number of shares through anchoring in market positioning, enabling the financial stability of the plan over time and constant alignment to the market of the compensation package for executives; (ii) defining a specific message per program in line with TOTVS's strategic needs, without risk of overlapping and complexity; (iii) adding a share *performance* program (ILP Performance), generating a better balance if compared with programs focused on retention (ILP Master and ILP Destaques); and (iv) reviewing the existing metrics in the program, encouraging the future performance of the Company in line with shareholders' expectations, while looking at the individual performance of every Executive measured through the 9Box method.

c. How the plan fits into the company's compensation policy

The Plan provides for the variable compensation mechanism that is in line with the Company's medium- and long-term interests, as it represents a relevant portion of the total compensation that is at risk for the Executives since it is totally bound to individual performance and, in the case of the ILP Performance Program, to the long-term performance of the Company, as shown in the previous topics

The focus on long-term variable compensation aims at following market practices and offering attractive packages that, in turn, care about the Company's interests in the most efficient way. The Plan proposed hereby aims at strengthening the focus on such form of compensation, offering the possibility of even more attractive returns, and on the other hand requiring a strong demonstration of commitment by the Participants in creating value for the Company and its shareholders, considering the long-term goals set for the IPL Performance Program.

The Plan is part of the Company's long-term incentive policy, contributing to increase the compensation of the managers and employees of the Company, seeking to align the individual goals of such managers and employees with the Company's goals, since the Beneficiaries have an additional incentive to adopt behaviors that, in the long run, generate added value for the Company. In addition, in the case of the ILP Master Program, by requiring Participants to make their own investment in the Company's shares, it is understood that this strengthens the Participant's bond with the Company, as well as their feeling of being "owners".



The incentive is also based on the possibility of gains arising from the appreciation of the shares issued by the Company. In addition, the granting of shares, by offering the possibility of making gains only through the Beneficiary's long-term commitment, works as an instrument for attracting and retaining the Company's talents.

d. How the plan aligns the interests of the Beneficiaries and the Company in the short, medium and long term

The Plan seeks to create a connection between the performance of the Participants and the Company's performance, including in the scope of choosing the group of them - based on the selection criteria of the Committee, measured through criteria such as result, potential, and competencies, which constitutes an incentive for employees and managers to seek both in the short term and in the long term to keep high performance and adopt actions that generate added value for the Company and are reflected in the appreciation of its shares in the market.

The Plan aligns the interests of its beneficiaries with the interests of the Company's shareholders, as it allows managers and employees to become shareholders of the Company, encouraging efficient management, attracting and retaining highly-qualified professionals and generating growth and value for the Company.

The mechanisms that allow the alignment of the Beneficiaries' interests over time include, for example, (i) the grace periods for the effective transfer of Restricted Shares, varying between three and five years depending on the program, without the possibility of a partial transfer of shares over the grace period, (ii) the need to meet performance criteria for eligibility to the Plan Programs, as well as for determining the number of Restricted Shares to be granted to Participants, according to the rules applicable to each one of the Programs, (iii) the achievement of the Company's long-term indicators in the case of the ILP Performance Program by composing relative market metrics and customer-related metrics, and (iv) within the scope of the ILP Master Program, the need to acquire Company's shares, as the Participant's own investment.

4. Please estimate the Company's expenses resulting from the plan, according to the accounting standards that govern this matter

Based on the current number of plan participants, assuming a scenario in which goals are 100% achieved and based on the variables currently available regarding the share price and its history of volatility, interest rate, dividends, among others, the Company estimates a total accounting expense per fiscal year of approximately R\$24 million per annual grant, of which R\$1.8 million for the Chairman of the Board of Directors and R\$6.3 million for the Statutory Board of Executive Officers.

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EXHIBIT VII

APPENDIX 14 OF ICVM 481/09 CONTAINING INFORMATION ON THE AMOUNT OF THE CAPITAL INCREASE AND THE NEW CAPITAL STOCK (ARTICLE 14, ICVM 481/09)

CAPITAL INCREASE

1. State the amount of the increase and the new capital stock

The Company's Management proposes to increase the capital stock by R\$136,903,622.84 (one hundred and thirty-six million, nine hundred and three thousand, six hundred and twenty-two Reals and eighty-four cents), without issuing new shares.

The Company's capital stock will increase from R\$1,382,508,564.43 (one billion, three hundred and eighty-two million, five hundred and eight thousand, five hundred and sixty-four Reals and forty-three cents) to R\$1,519,412,187.27 (one billion, five hundred and nineteen million, four hundred and twelve thousand, one hundred and eighty-seven Reals and twenty-seven cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them being registered, book-entry shares with no par value.

2. State whether the increase will be paid-up by: (a) converting debentures or other debt securities into shares; (b) exercising the subscription or stock warrant right; (c) capitalization of profits or reserves; or (d) subscription of new shares

The capital stock increase will be performed by capitalizing retained earnings based on capital budgeting.

3. Explain, in detail, the reasons for the increase and its legal and economic consequences

The capital stock increase is being proposed because the amounts recorded in the retained earnings reserve based on capital budgeting have been fully used in investments by the Company between the fiscal years 2018 to 2020. As a result, the Management is proposing to capitalize the amounts invested, without issuing new shares, for the benefit of all shareholders.

4. Provide a copy of the finance committee's opinion, if applicable

Not applicable.

5. In case of capital increase upon subscription of shares

a. Please describe the allocation of the proceeds

Not applicable.

b. Please inform the number of issued shares of each type and class



Not applicable. No new shares will be issued.

c. Please describe the rights, benefits, and restrictions bound to the shares to be issued

Not applicable.

d. Inform whether the subscription will be public or private

Not applicable.

e. In case of a private subscription, please inform if the related parties, as defined as such in the accounting standards addressing this matter, will subscribe shares in the capital increase, specifying the corresponding amounts when such amounts are already known

Not applicable.

f. Please inform the issue price of the new shares or the reasons why their fixing should be delegated to the board of directors, in cases of public distribution

Not applicable.

g. Please inform the par value of the shares issued or, in the case of shares with no par value, the portion of the issue price to be allocated to the capital reserve

Not applicable.

h. Please inform the Management's opinion on the effects of the capital increase, especially concerning the dilution caused by the increase

Not applicable.

i. Please state the criteria used to calculate the issue price and justify in detail the economic aspects that determined its choice

Not applicable.

j. In case the issue price has been set at a premium or discount in relation to the market value, please identify the reason for the premium or discount and explain how it was established

Not applicable.

k. Please provide a copy of all reports and studies that supported the determination of the issue price

Not applicable.

l. Please inform the price of each of the types and classes of the issuer's shares in the markets in which they are traded, identifying

i. minimum, average and maximum price of each year, for the last 3 (three) years



Not applicable.

ii. minimum, average and maximum price of each quarter, for the last 2 (two) years:

Not applicable.

iii. minimum, average and maximum price of each month, in the last 6 (six) months:

Not applicable.

iv. Average price over the last 90 days

Not applicable.

m. Please inform the issue price of the shares in capital increases carried out in the last three (3) years:

Not applicable.

n. Please inform the potential percentage of dilution resulting from the issue:

Not applicable.

o. Please inform the terms, conditions and method of subscription and payment of the shares issued

Not applicable.

p. Please inform whether the shareholders will have preemptive rights to subscribe the new shares issued and detail the terms and conditions to which this right is subject

Not applicable.

q. Please inform the management's proposal for the treatment of any shares remaining unsubscribed

Not applicable.

r. Please detail the procedures that will be adopted if the partial approval of the capital increase is allowed

Not applicable.

s. If the issue price of the shares is, in whole or in part, realized in assets

i. Provide a complete description of the assets

Not applicable.



ii. Clarify the relationship between the assets incorporated into the company's equity and its corporate purpose

Not applicable.

iii. Provide a copy of the asset appraisal report, if available

Not applicable.

6. In case of capital increase through capitalization of profits or reserves

a. State if it will lead to a change in the par value of the shares, if any, or distribution of new shares among the shareholders

The Company's common shares have no par value and the capital increase will not imply the distribution of new shares.

b. Please inform whether the capitalization of profits or reserves will be implemented with or without modification in the number of shares, in companies with shares without par value

There will be no change in the number of shares.

c. In case of distribution of new shares

i. Please inform the number of issued shares of each type and class

Not applicable.

ii. Please inform the percentage that shareholders will receive in shares

Not applicable.

iii. Describe the rights, benefits, and restrictions allocated to the shares to be issued

Not applicable.

iv. Inform the acquisition cost, stated in Reals per share, to be attributed so that shareholders can comply with Article 243 of Law No. 9249 from December 26th, 1995

Not applicable.

v. Please inform the treatment of fractions, if applicable

Not applicable.

d. Inform the time term provided for in paragraph 3 of Article 169 from Law 6.404 of 1976

Not applicable.

e. Please provide the information and documents set forth in section 5 above, when applicable



Not applicable.

7. In case of capital increase due to conversion of debentures or other debt securities into shares or exercise of stock warrant

Not applicable.

8. The provisions of items 1 to 7 of this Annex do not apply to capital increases resulting from the stock option plan, in which case the issuer shall inform:

a. date of the general meeting of shareholders at which the option plan was approved

Not applicable.

b. amount of the capital increase and the amount of the new capital stock

Not applicable.

c. number of shares issued of each type and class

Not applicable.

d. issue price of new shares

Not applicable.

e. price of each type and class of shares of the issuer in the markets in which they are traded, identifying:

i. minimum, average, and maximum price of each year, for the last 3 (three) years

Not applicable.

ii. minimum, average and maximum price of each quarter, for the last 2 (two) years

Not applicable.

iii. minimum, average and maximum price of each month, in the last 6 (six) months

Not applicable.

iv. Average price over the last 90 days

Not applicable.

f. percentage of potential dilution resulting from the issuance

Not applicable.



EXHIBIT VIII

INFORMATION REGARDING THE AMENDMENT OF THE COMPANY'S BYLAWS (PURSUANT TO ARTICLE 11 OF CVM INSTRUCTION 481/09)

REPORT PROVIDED AS A TABLE FORMAT, DETAILING THE ORIGIN AND JUSTIFICATION OF THE PROPOSED AMENDMENT TO THE COMPANY'S BYLAWS AND ANALYZING ITS LEGAL AND ECONOMIC EFFECTS, AS APPLICABLE

CURRENT WORDING	NEW WORDING PROPOSED	COMPARATIVE WORDING	ORIGIN, JUSTIFICATION AND ANALYSIS OF THE EFFECTS OF CHANGES
CHAPTER II - CAPITAL STOCK			
<p>Article 5 - The Company's fully subscribed and paid-in capital stock is of R\$1,382,508,564.43 (one billion, three hundred and eighty-two million, five hundred and eight thousand, five hundred and sixty-four Reals and forty-three cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares, with no par value.</p> <p>(...)</p>	<p>Article 5 - The Company's fully subscribed and paid-in capital is of R\$1,519,412,187.27 (one billion, five hundred and nineteen million, four hundred and twelve thousand, one hundred and eighty-seven Reals and twenty-seven cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares, with no par value.</p> <p>(...)</p>	<p>Article 5 - The Company's fully subscribed and paid-in capital stock is of R\$1,382,508,564.43 (one billion, three hundred and eighty-two million, five hundred and eight thousand, five hundred and sixty-four Reals and forty-three cents), R\$1,519,412,187.27 (one billion, five hundred and nineteen million, four hundred and twelve thousand, one hundred and eighty-seven Reals and twenty-seven cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all</p>	<p>Change in capital stock due to the capitalization of R\$136,903,622.84 (one hundred and thirty-six million, nine hundred and three thousand, six hundred and twenty-two Reals and eighty-four cents), from the retained earnings reserve based on capital budgeting for the period from 2018 to 2020.</p>



		of them being registered, book-entry shares with no par value. (...)	
<p>Article 6 - The Company is authorized to increase its capital stock up to the limit of R\$2,500,000,000 (two billion and five hundred million Reals).</p> <p>Paragraph 1 - Within the limit authorized in this Article, the Company may, upon resolution of the Board of Directors, increase the capital stock regardless of performing an amendment to Company's bylaws. The Board of Directors will set the conditions for the issue, including their price and time term to pay them in.</p> <p>Paragraph 2 - Within the limit of the authorized capital, the Board of Directors may decide to issue subscription warrants.</p>	<p>Article 6 - The Company is authorized to increase its capital stock up to the limit of R\$4,000,000,000 (four billion Reals).</p> <p>Paragraph 1 - Within the limit authorized in this Article, the Company may, upon resolution of the Board of Directors, increase the capital stock regardless of performing an amendment to Company's bylaws, including by capitalizing profits or reserves. The Board of Directors will set the conditions for the issue, including their price and time term to pay them in.</p> <p>Paragraph 2 - Within the limit of the authorized capital, the Board of Directors may decide on the issue of subscription warrants and debentures convertible into shares.</p>	<p>Article 6 - The Company is authorized to increase its capital stock up to the limit of R\$2,500,000,000 (two billion and five hundred million Reals) <u>R\$4,000,000,000 (four billion Reals)</u>.</p> <p>Paragraph 1 - Within the limit authorized in this Article, the Company may, upon resolution of the Board of Directors, increase the capital stock regardless of performing an amendment to Company's bylaws, <u>including by capitalizing profits or reserves</u>. The Board of Directors will set the conditions for the issue, including their price and time term to pay them in.</p> <p>Paragraph 2 - Within the limit of the authorized capital, the Board of Directors may decide <u>on</u> the issue of subscription warrants <u>and debentures convertible into shares</u>.</p>	<p>Amendment to the <i>caption</i> of Article 6 to change the limit of the Company's authorized capital in order to allow the Board of Directors to approve capital increases more quickly, with a view to perform the Company's business plan and its corporate purpose, without the need of amending its bylaws. The proposed change has no other legal or economic effect.</p> <p>Amendment of Paragraphs 1 and 2 of Article 6 to clarify, in the Bylaws, the possibility, within the limit of the authorized capital, and upon resolution of the Board of Directors, (i) of increasing the capital stock through the capitalization of profits or reserves, and (ii) of issuing debentures convertible into shares.</p> <p>The proposed amendments aims only at making the wording of the Bylaws more complete as to the possibilities of using the authorized capital limit.</p> <p>Change made for clarity purposes only.</p>
<p>Article 9 - At the discretion of the Board of Directors, the preemptive right in the issue of shares, convertible debentures, and subscription warrants may be</p>	<p>Article 9 - At the discretion of the Board of Directors, the time term to exercise the preemptive right in the issue of shares, convertible debentures, and subscription</p>	<p>Article 9 - At the discretion of the Board of Directors, the <u>time term to exercise the</u> preemptive right in the issue of shares, convertible debentures, and subscription warrants</p>	



excluded or reduced, the placement of which is made through sale on the stock exchange or by public subscription, or else through an exchange for shares, in a public offer for the acquisition of control, under the terms set forth by law, within the limit of the authorized capital.	warrants may be excluded or reduced, the placement of which is made through sale on the stock exchange or by public subscription, or else through an exchange for shares, in a public offer for the acquisition of control, under the terms set forth by law, within the limit of the authorized capital.	may be excluded or reduced, the placement of which is made through sale on the stock exchange or by public subscription, or else through an exchange for shares, in a public offer for the acquisition of control, under the terms set forth by law, within the limit of the authorized capital.	
CHAPTER II - GENERAL MEETING			
Article 12 - The General Meeting, in addition to the duties provided for by law, shall have the following responsibilities: (xi) to resolve on the cancellation of the registration as a publicly-held corporation with the CVM, subject to the provisions of Article 52, (ii) of these Bylaws; and	Article 12 - The General Meeting, in addition to the duties provided for by law, shall have the following responsibilities: (xi) to resolve on the cancellation of the registration as a publicly-held corporation with the CVM, subject to the provisions of Article 46, (ii), of these Bylaws; and	Article 12 - The General Meeting, in addition to the duties provided for by law: (...) (xi) to resolve on the cancellation of the registration as a publicly-held corporation with the CVM, subject to the provisions set forth in Article 52 <u>45</u> , (ii), of these Bylaws; and	Reference adjustment.



CHAPTER IV - MANAGEMENT BODIES

Section I - Common Provisions to the Management Bodies

<p>Article 13 - (...)</p> <p>Paragraph 1 - The members of the Board of Directors will take office subject to the signing of the corresponding investiture term, which must include their agreement to the arbitration clause referred to in Article 53, waiving any management guarantee.</p>	<p>Article 13 - (...)</p> <p>Paragraph 1 - The members of the Board of Directors will take office subject to the signing of the corresponding investiture term, which must include their agreement to the arbitration clause referred to in Article 54, waiving any management guarantee.</p>	<p>Article 13 - (...)</p> <p>Paragraph 1 - The members of the Board of Directors will take office subject to the signing of the corresponding investiture term, which must include their agreement to the arbitration clause referred to in a Article 54, waiving any management guarantee.</p>	<p>Adjustment in the writing style.</p>
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Section II - Board of Directors			
<p>Article 16 - The Board of Directors shall be composed of at least 5 (five) and at most 9 (nine) members, elected and dismissable by the General Meeting, with a unified term of office of 2 (two) years, with reelection being allowed.</p>	<p>Article 16 - The Board of Directors shall be composed of at least 5 (five) and at most 7 (seven) members, elected and dismissable by the General Meeting, with a unified term of office of 2 (two) years, with reelection being allowed.</p>	<p>Article 16 - The Board of Directors shall be composed of at least 5 (five) and at most 9 (nine) <u>7 (seven)</u> members, elected and dismissable by the General Meeting, with a unified term of office of 2 (two) years, with reelection being allowed.</p>	<p>Change in the <i>caption</i> to reduce the maximum number of members of the Board of Directors to seven in order to adapt the structure of the Board of Directors to the composition effectively proposed and approved by the shareholders in the previous election.</p>
<p>Article 19 - The Board of Directors, in addition to other duties entrusted to it by law or by the Bylaws, shall have the following responsibilities: (...)</p> <p>(xv) to resolve, by delegation of the General Meeting upon the issuance of debentures by the Company, on the time and conditions for maturity, amortization or redemption, the time and conditions for payment of</p>	<p>Article 19 - The Board of Directors, in addition to other duties entrusted to it by law or by the Bylaws, shall have the following responsibilities: (...)</p> <p>(xv) resolve on the issue for public distribution of any debt securities or bonds, including promissory notes, regardless of their amount;</p> <p>(xvi) resolve on the subscription, acquisition, sale or encumbrance by the Company, of shares,</p>	<p>Article 19 - The Board of Directors, in addition to other duties entrusted to it by law or by the Bylaws, shall have the following responsibilities: (...)</p> <p>(xv) to resolve, by delegation of the General Meeting upon the issuance of debentures by the Company, on the time and conditions for maturity, amortization or redemption, the time and conditions for payment of <u>interests, profit sharing, and reimbursement premium, if any, and</u></p>	<p>Amendment of subparagraphs "xv", "xvi" and "xxi" of Article 19 to (i) make explicit, in the bylaws, the responsibilities already attributed to the Board of Directors to resolve on the issue, for public distribution, of any debt securities or bonds, including promissory notes, regardless of their amount; and (ii) make other minor adjustments for the sake of clarity and simplification.</p>



<p>interests, profit sharing, and reimbursement premium, if any, and the mode of subscription or placement, as well as the types of debentures;</p> <p>(xvi) resolve on the subscription, acquisition, sale or encumbrance by the Company, of shares or any securities issued by any company controlled by the Company or its affiliate, except in cases of transactions involving only the Company and wholly-owned companies;</p> <p>(xvii) resolve on the Company's interest to be held in other companies, as well as on any interests in other undertakings, including through a consortium or a partnership;</p> <p>(...)</p> <p>(xxi) to authorize the following transactions the amount of which is higher than five percent (5%) of the amount of the subscribed capital, which will be considered for every separate transaction or a set of related transactions: (a) the acquisition by the Company of</p>	<p>membership interests, or any securities issued by any company controlled by the Company or its affiliate, except in cases of transactions involving only the Company and wholly-controlled companies, or unless the exercise of such right occurs in the context of a transaction already approved by the Board of Directors;</p> <p>(xvii) to resolve on the Company's interest to be held in other companies, as well as on any interests in other undertakings, including through a consortium or a partnership, unless such interests to be held is performed within the context of a transaction already approved by the Board of Directors;</p> <p>(...)</p> <p>(xxi) to authorize the following transactions the amount of which is higher than five percent (5%) of the amount of the subscribed capital, which will be considered for every separate transaction or a set of related transactions: (a) the acquisition by the Company of assets of another company,</p>	<p>the mode of subscription or placement, as well as the types of debentures <u>on the issue for public distribution of any debt securities or bonds, including promissory notes, regardless of their amount;</u></p> <p>(xvi) to resolve on the subscription, acquisition, sale or encumbrance by the Company, of shares, <u>membership interests</u> or any securities issued by any company controlled by the Company or its affiliate, except in cases of transactions involving only the Company and wholly-owned companies;</p> <p>(...)</p> <p>(xxi) to authorize the following transactions the amount of which is higher than five percent (5%) of the amount of the subscribed capital, which will be considered for every separate transaction or a set of related transactions: (a) the acquisition by the Company of assets of another company, including subsidiaries or affiliates; (b) the sale of fixed assets, (c) the provision of guarantees of any nature by the Company; (d) the</p>	
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<p>assets of another company, including subsidiaries or affiliates; (b) the sale of fixed assets, (c) the provision of guarantees of any nature by the Company; (d) the granting of loans to any third party; (e) investment in expansion and improvement projects; (f) the contracting of long- or short-term debt operations; and (g) the execution of any long-term agreements (having an effective term longer than one year);</p>	<p>including subsidiaries or affiliates; (b) the sale of fixed assets, (c) the provision of guarantees of any nature by the Company; (d) the granting of loans to any third party; (e) investment in expansion and improvement projects that are not included in the Company's annual budget; (f) the contracting of long- or short-term debt operations; and (g) the execution of any long-term agreements (having an effective term longer than one year);</p>	<p>granting of loans to any third party; (e) investment in expansion and improvement projects <u>that are not included in the Company's annual budget</u>; (f) the contracting of long- or short-term debt operations; and (g) the execution of any long-term agreements (having an effective term longer than one year).</p>	
<p>Paragraph One - The Company will not grant financing or guarantees to its Directors or Executive Officers, except to the extent that such financing or guarantees are available to the Company's Employees or customers in general.</p>	<p>Paragraph 1 - The Company may not grant financing or guarantees to its Directors or Executive Officers, except to the extent that such financing or guarantees are available to the Company's Employees or customers in general and are previously approved at a General Meeting.</p>	<p>Paragraph One 1 - The Company shall grant <u>may grant</u> financing or guarantees to its Directors or Executive Officers, except to the extent that such financing or guarantees are available to the Company's Employees or customers in general <u>and are previously approved at a General Meeting</u>.</p>	<p>Adjustment of writing style and amendment to make it clear, in line with the provisions of the Criminal Code, that the granting of financing or guarantees to management members depends on approval by the general meeting.</p>



<p>Paragraph Two - The favorable vote of representatives of the Company regarding any resolution on the matters set forth in this Article 19 at General Meetings and other corporate bodies of the companies controlled by the Company, directly or indirectly, will depend on the approval by the Company's General Meeting.</p>	<p>Paragraph Two - The favorable vote of representatives of the Company regarding any resolution on the matters set forth in this Article at General Meetings and other corporate bodies of the companies controlled by the Company, directly or indirectly, will depend on the approval by the Company's General Meeting.</p>	<p>Paragraph Two 2 - The favorable vote of representatives of the Company regarding any resolution on the matters set forth in this Article 19 at General Meetings and other corporate bodies of the companies controlled by the Company, directly or indirectly, will depend on the approval by the Company's General Meeting.</p>	<p>Adjustments to the style of writing and reference.</p>
<p align="center">Section III - Management's Supporting Bodies</p>			
<p>Article 20 - (...) First Paragraph - The advisory committees will have advisory and non-deliberative functions and should study the matters within their competence and prepare recommendations to the Board of Directors. Second Paragraph - The term of office of the advisory committees' members will coincide with that of the members of the Board of Directors, and they may be reelected for another 4 (four) consecutive terms.</p>	<p>Article 21 - (...) Paragraph 1 The advisory committees will have advisory and non-deliberative functions and should study the matters within their competence and prepare recommendations to the Board of Directors. Paragraph 2 - The term of office of the advisory committees' members will coincide with that of the members of the Board of Directors, and they may be reelected for another 4 (four) consecutive terms.</p>	<p>Article 21 - (...) Paragraph First 1 - The advisory committees will have advisory and non-deliberative functions and should study the matters within their competence and prepare recommendations to the Board of Directors. Paragraph Second 2 - The term of office of the members of the advisory committees will coincide with that of the members of the Board of Directors, with the possibility of being reelected for another 4 (four) consecutive terms <u>and their members can be reelected</u>.</p>	<p>Renumbering of articles writing style adjustment.</p>



<p>Third Paragraph - The advisory committees will meet at the frequency provided for in the annual calendar approved by the Board of Directors, being ordinarily at least up to 4 (four) times a year, or extraordinarily at the request of their coordinator or the majority of its members.</p> <p>Fourth Paragraph - Each advisory committee will have a coordinator and will have their work and operating rules provided for in a charter approved by the Board of Directors.</p> <p>Fifth Paragraph - The advisory committees will report to the Board of Directors and will act independently from the Company's Board of Executive Officers.</p> <p>Sixth Paragraph - The members of the committees will be subject to the same duties as the directors as provided for in the Bylaws, in the disclosure and negotiation policies, and in the Code of Ethics and Conduct, as well as to the duties and responsibilities provided for in</p>	<p>Paragraph 3 - The advisory committees will meet at the frequency provided for in the annual calendar approved by the Board of Directors, being ordinarily at least up to 4 (four) times a year, or extraordinarily at the request of their coordinator or the majority of its members.</p> <p>Paragraph 4 - Each advisory committee will have a coordinator and will have their work and operating rules provided for in a charter approved by the Board of Directors.</p> <p>Paragraph 5 - The advisory committees will report to the Board of Directors and will act independently from the Company's Board of Executive Officers.</p> <p>Paragraph 6 - The members of the committees will be subject to the same duties as the directors as provided for in the Bylaws, in the disclosure and negotiation policies, and in the Code of Ethics and Conduct, as well as to the duties and responsibilities provided for in</p>	<p>Paragraph Third 3 - The advisory committees will meet at the frequency provided for in the annual calendar approved by the Board of Directors, being ordinarily at least up to 4 (four) times a year, or extraordinarily at the request of their coordinator or the majority of its members.</p> <p>Paragraph Fourth 4 - Each advisory committee will have a coordinator and will have their work and operating rules provided for in a charter approved by the Board of Directors.</p> <p>Paragraph Fifth 5 - The advisory committees will report to the Board of Directors and will act independently from the Company's Board of Executive Officers.</p> <p>Paragraph Sixth 6 - The members of the committees will be subject to the same duties as the directors as provided for in the Bylaws, in the disclosure and negotiation policies, and in the Code of Ethics and Conduct, as well as to the duties and responsibilities provided for in articles</p>	
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articles 153 to 159 of the Brazilian Corporations Act.	articles 153 to 159 of the Brazilian Corporations Act.	153 to 159 of the Brazilian CA Corporations Act .	
<p>Article 22 – (...)</p> <p>(i) submit to the Board of Directors a proposal for the distribution of the annual global compensation to Executive Officers and Directors based on best practices observed in the information technology market, as well as to monitor the payment of such compensation and, in the event that it does not follow the best practices in the information technology market, report it to the Board of Directors;</p> <p>(ii) provide an opinion on the granting of a stock option or subscription to the Company's Management and Employees; and</p> <p>(iii) provide an opinion on the profit-sharing of the Company's Officers and Employees.</p>	<p>Article 22 – (...)</p> <p>(i) submit to the Board of Directors a proposal for the distribution of the annual global compensation to Executive Officers and Directors based on best practices observed in the information technology market, as well as to monitor the payment of such compensation and, in the event that it does not follow the best practices in the information technology market, report it to the Board of Directors;</p> <p>(ii) provide an opinion on the granting of a stock option or subscription to the Company's Management and Employees;</p> <p>(iii) provide an opinion on the profit-sharing of the Company's Officers and Employees;</p> <p>(iv) follow up the preparation and implementation of a succession plan for the Company's executive officers with the purpose of ensuring that the management can count on professionals to hire or promote,</p>	<p>Article 22 – (...)</p> <p>(i) submit to the Board of Directors a proposal for the distribution of the annual global compensation to Executive Officers and Directors based on best practices observed in the information technology market, as well as to monitor the payment of such compensation and, in the event that it does not follow the best practices in the information technology market, report it to the Board of Directors;</p> <p>(ii) provide an opinion on the granting of a stock option or subscription to the Company's Management and Employees; and</p> <p>(iii) provide an opinion on the profit-sharing of the Company's Officers and Employees;</p> <p>(iv) follow up the preparation and implementation of a succession plan for the Company's executive officers with the purpose of ensuring that the management can count on professionals to hire or promote,</p>	<p>Adding subparagraphs “iv” and “v” to Article 22 of the Bylaws, to encompass the responsibilities of the Personnel and Compensation Committee provided for, respectively, in subparagraphs “vii” and “viii” of Article 40 of the Charter of the Company's Board of Directors.</p>



	<p>whose professional experience and skills contribute to good performance and the preservation of the Company's value, keeping such plan always up to date for periodic monitoring by the Board, and the succession plan of the Chief Executive Officer will be followed up by the Board Chairman; and</p> <p>(v) follow up the annual assessment process of the Company's executive officers based on the verification of the achievement of their performance, financial and non-financial goals (including environmental, social, and governance aspects), in line with the Company's ethical values and principles.</p>	<p><u>whose professional experience and skills contribute to good performance and the preservation of the Company's value, keeping such plan always up to date for periodic monitoring by the Board, and the succession plan of the Chief Executive Officer will be followed up by the Board Chairman; and</u></p> <p><u>(v) follow up the annual assessment process of the Company's executive officers based on the verification of the achievement of their performance, financial and non-financial goals (including environmental, social, and governance aspects), in line with the Company's ethical values and principles.</u></p>	
<p>Article 23 – (...)</p> <p>First Paragraph - The Audit Committee, among other duties provided for in the charter, will be responsible for: (...)</p>	<p>Article 23 – (...)</p> <p>Paragraph 1 - The Audit Committee, among other duties provided for in the charter, will be responsible for: (...)</p>	<p>Article 23 – (...)</p> <p>Paragraph First 1 - The Audit Committee, among other duties provided for in the charter, will be responsible for: (...)</p>	<p>Adjusts made on the numbering style, and adding Paragraph 3 to govern the procedure to be adopted in case of temporary inability of the coordinator of the Company's Audit Committee.</p>



<p>Second Paragraph - The coordinator of the Audit Committee must attend the Company's Annual General Meeting, making him/herself available to provide clarifications and information to shareholders.</p>	<p>Paragraph 2 - The coordinator of the Audit Committee must attend the Company's Annual General Meeting, making him/herself available to provide clarifications and information to shareholders.</p>	<p>Paragraph Second 2 - The coordinator of the Audit Committee must attend the Company's Annual General Meeting, making him/herself available to provide clarifications and information to shareholders.</p> <p><u>Paragraph 3 - In the event of any temporary inability of the coordinator of the Audit Committee, another member of the Committee, to be expressly appointed by the unable coordinator, will temporarily act as coordinator for the same period that the inability may last. If the unable coordinator is prevented from making such appointment, any of the other two members of the Committee may, by mutual agreement, determine who, among them, will perform the function on an interim basis.</u></p>	
<p>Article 25 - The Governance and Nomination Committee, among other duties provided for in the charter, will be responsible for: (...)</p> <p>(x) provide an opinion on the participation of people related to the Company as a member of Boards of Directors, Advisory Committees to the Board of Directors, and Fiscal</p>	<p>Article 25 - The Governance and Nomination Committee, among other duties provided for in the charter, will be responsible for: (...)</p> <p>(x) provide an opinion on the participation of people related to the Company as a member of Boards of Directors, Advisory Committees to the Board of Directors, and Fiscal</p>	<p>Article 25 - The Governance and Nomination Committee, among other duties provided for in the charter, will be responsible for: (...)</p> <p>(x) provide an opinion on the participation of people related to the Company as a member of Boards of Directors, Advisory Committees to the Board of Directors, and Fiscal</p>	<p>Adjustment in the writing style.</p>



<p>Councils (Supervisory Boards) of other companies, both publicly and privately held.</p> <p>(xi) support the Board of Directors to screen candidates for directors as to their ability to act as an independent member.</p>	<p>Councils (Supervisory Boards) of other companies, both publicly and privately held; and</p> <p>(xi) support the Board of Directors to screen candidates for directors as to their ability to act as an independent member.</p>	<p>Councils (Supervisory Boards) of other companies, both publicly and privately held; and and</p> <p>(xi) support the Board of Directors to screen candidates for directors as to their ability to act as an independent member.</p>	
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Section IV - Board of Executive Officers

<p>Article 26 - The Board of Executive Officers will be composed of a minimum of 5 (five) and a maximum of 20 (twenty) members, comprising the following positions, the duties of which will be determined by the Board of Directors: (i) Chairman Director, (ii) Chief Executive Officer; (iii) up to 8 (eight) Vice-President Officers, and (iv) up to 10 (ten) Executive Officers. The Executive Officers may cumulate functions and will have a unified term of office of 2 (two) annual periods, considering the annual period the time term between 2 (two) Annual General Meetings, with reelection being permitted.</p>	<p>Article 26 - The Board of Executive Officers will be composed of a minimum of 5 (five) and a maximum of 20 (twenty) members, comprising the following positions, the duties of which will be determined by the Board of Directors: (i) Chief Executive Officer, (ii) up to 8 (eight) Vice-President Officers, and (iii) up to 10 (ten) Executive Officers. The Executive Officers may cumulate functions and will have a unified term of office of 2 (two) annual periods, considering the annual period the time term between 2 (two) Annual General Meetings, with reelection being permitted.</p>	<p>Article 26 - The Board of Executive Officers will be composed of a minimum of 5 (five) and a maximum of 20 (twenty) members, comprising the following positions, the duties of which will be determined by the Board of Directors: (i) Chairman Director, (ii) Chief Executive Officer; (iii) ⁱⁱ up to 8 ⁹ (eight) ^{nine} Vice-President Officers, and (iv) up to 10 (ten) Executive Officers. The Executive Officers may cumulate functions and will have a unified term of office of 2 (two) annual periods, considering the annual period the time term between 2 (two) Annual General Meetings, with reelection being permitted.</p>	<p>Exclusion of the position of Chairman Director and change in the number of Vice-President Officers.</p>
<p>Article 27 - In the event of the absence or inability of any officer, the Board of Executive Officers shall name an interim deputy officer from among its members, provided, however, that the Chief Executive Officer and the Chairman Director shall stand in for one another in the performance of their respective</p>	<p>Article 27 - In case of absence or inability of any executive officer, the Board of Executive Officers will choose the corresponding deputy officer from among its members.</p>	<p>Article 27 - In the event of the absence or inability of any officer, the Board of Executive Officers shall name an interim deputy officer from among its members, provided, however, that the Chief Executive Officer and the Chairman Director shall stand in for one another in the performance of their respective</p>	<p>Considering the adjustment performed in Article 26 of the Bylaws, the possibility of the Chief Executive Director to be replaced by the Chairman Director and vice versa in the performance of his duties was deleted.</p>



duties, including whenever one of these positions is not filled or is left vacant mid-term.		duties, including whenever one of these positions is not filled or is left vacant mid-term.	
Article 29 - It is the responsibility of the Vice-President Officers and the Executive Officers to collaborate with the Chief Executive Officer and the Chairman Director in the management of the Company's businesses and in conducting all corporate matters.	Article 29 - It is the responsibility of the Vice-President Officers and the Executive Officers to collaborate with the Chairman Director in the management of the Company's businesses and in conducting all corporate matters.	Article 29 - It is the responsibility of the Vice-President Officers and the Executive Officers to collaborate with the Chairman Director and the Chief Executive Officer in the management of the Company's businesses and in conducting all corporate matters.	Exclusion of the mention of the position of Chairman Director.
CHAPTER V - SUPERVISORY BOARD (FISCAL COUNCIL)			
<p>Article 33 - When established, the Supervisory Board (Fiscal Council) shall be composed of three (3) sitting members and an equal number of deputies, shareholders or not, elected and removable from office at any time by the General Meeting. (...)</p> <p>Paragraph 3 - The members of the Supervisory Board (Fiscal Council) will take office subject to the prior signing of their investiture term, which must include their agreement to the arbitration clause referred to in article 53.</p> <p>(...)</p>	<p>Article 33 - When established, the Supervisory Board (Fiscal Council) shall be composed of three (3) sitting members and an equal number of deputies, shareholders or not, elected and removable from office at any time by the General Meeting. (...)</p> <p>Paragraph 3 - The members of the Supervisory Board (Fiscal Council) will take office subject to the prior signing of their investiture term, which must include their agreement to the arbitration clause referred to in Article 53.</p> <p>(...)</p>	<p>Article 33 - When established, the Supervisory Board (Fiscal Council) shall be composed of three (3) sitting members and an equal number of deputies, shareholders or not, elected and removable from office at any time by the General Meeting. (...)</p> <p>Paragraph 3 - The members of the Supervisory Board (Fiscal Council) will take office subject to the prior signing of their investiture term, which must include their agreement to the arbitration clause referred to in aArticle 53.</p> <p>(...)</p>	Writing style adjustments.



<p>Paragraph 6 - Any person who has a relationship with any company deemed to be a competitor of the Company ("Competitor"), may not be elected for the position of member of the Company's Fiscal Council, and it is prohibited the election of any person who, among other things, is: (i) an employee, shareholder or member of a management, technical or supervisory body of the Competitor or of the Competitor's Controlling Party or Controlled Companies (as set forth in Article 42, Paragraph 1 of these Bylaws); (ii) a spouse or relative up to the second degree of consanguinity of a member of a management, technical or supervisory body of the Competitor, or of the Competitor's Controlling Party or Controlled Companies.</p>	<p>Paragraph 6 - Any person who has a relationship with any company deemed to be a competitor of the Company ("Competitor"), may not be elected for the position of member of the Company's Fiscal Council, and it is prohibited the election of any person who, among other things, is: (i) an employee, shareholder or member of a management, technical or supervisory body of the Competitor or of the Competitor's Controlling Shareholder or Controlled Companies (as set forth in Article 42, Paragraph 1 of these Bylaws); (ii) a spouse or relative up to the second degree of consanguinity of a member of a management, technical or supervisory body of the Competitor, or of the Competitor's Controlling Shareholder or Controlled Companies.</p>	<p>Paragraph 6 - Any person who has a relationship with any company deemed to be a competitor of the Company ("Competitor"), may not be elected for the position of member of the Company's Fiscal Council, and it is prohibited the election of any person who, among other things, is: (i) an employee, shareholder or member of a management, technical or supervisory body of the Competitor or of the Competitor's Controlling Shareholder or Controlled Companies (as set forth in Article 42, Paragraph 1 of these Bylaws) or controlled company of the Competitor; (ii) a spouse or relative up to the second degree of consanguinity of a member of a management, technical or supervisory body of the Competitor, or of the Competitor's Controlling Shareholder or Controlled Companies.</p>	
CHAPTER VI - PROFIT DISTRIBUTION			
<p>Article 37 - Together with the financial statements for the year, the Board of Directors shall submit to the Annual General Meeting a proposal on the appropriation of net income for the year, calculated after the deduction of any profit-sharing</p>	<p>Article 37 - Together with the financial statements for the year, the Board of Directors shall submit to the Annual General Meeting a proposal on the appropriation of net income for the year, calculated after the deduction of any profit-sharing</p>	<p>Article 37 - Together with the financial statements for the year, the Board of Directors shall submit to the Annual General Meeting a proposal on the appropriation of net income for the year, calculated after the deduction of any profit-sharing</p>	<p>Amendment to create a statutory reserve and give greater flexibility in the proposal for the allocation of results.</p>



<p>referred to in Article 190 of Brazilian Corporations Act, in accordance with the provision in Paragraph 1 of this Article, adjusted for purposes of calculation of dividends pursuant to Article 202 of the same law, subject to the following deduction order:: (...)</p> <p>Paragraph 2 - The remaining balance of profits, if any, shall be allocated as the General Meeting so determines, and any withholding of income for the year by the Company shall mandatorily have attached to it a budget proposal previously approved by the Board of Directors. In case the profits reserve balance exceeds the capital stock, the General Meeting shall resolve on the use of such excess for payment or increase of the capital stock or also for distribution of dividends to shareholders.</p>	<p>referred to in Article 190 of Brazilian Corporations Act, in accordance with the provision in Paragraph 1 of this Article, adjusted for purposes of calculation of dividends pursuant to Article 202 of the same law, subject to the following deduction order: (...)</p> <p>Paragraph 2 - The remaining balance of profits, if any, may, in addition to the destination provided for by Art. 196 of the Brazilian Corporations Act, also be allocated, in whole or in part, upon resolution of the General Meeting, to an investment reserve with the purpose of ensuring the maintenance, development, and expansion of the corporate activities up to the limit of the capital stock, observing the provisions of Art. 199 of the Brazilian Corporations Act.</p>	<p>referred to in Article 190 of Brazilian Corporations Act, in accordance with the provision in Paragraph 1 of this Article, adjusted for purposes of calculation of dividends pursuant to Article 202 of the same law, subject to the following deduction order: (...)</p> <p>Paragraph 2 - The remaining balance of profits, if any, shall be allocated as the General Meeting so determines, and any withholding of income for the year by the Company shall mandatorily have attached to it a budget proposal previously approved by the Board of Directors. In case the profits reserve balance exceeds the capital stock, the General Meeting shall resolve on the use of such excess for payment or increase of the capital stock, or also, for distribution of dividends to shareholders <u>it will be able, in addition to the allocation provided for in Art. 196 of the Brazilian Corporations Act, also be allocated, in whole or in part, upon resolution of the General Meeting, to an investment reserve with the purpose of ensuring the maintenance, development, and expansion of the corporate activities up to the limit of</u></p>	
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		the capital stock, observing the provisions of Art. 199 of the Brazilian Corporations Act.	
<p>Article 38 - As proposed by the Board of Executive Officers, approved by the Board of Directors, <i>ad referendum</i> by the General Meeting, the Company may pay or credit interest to shareholders, as interest on equity of the latter, subject to applicable legislation. Any possible amounts thus disbursed may be attributed to the mandatory dividend amount set forth in these Bylaws.</p>	<p>Article 39 - As proposed by the Board of Executive Officers, approved by the Board of Directors, the Company may pay or credit interest to shareholders, as interest on equity of the latter, subject to applicable legislation. Any amounts thus paid may be charged to the amount of the mandatory dividend provided for in these Articles of Incorporation.</p>	<p>Article 39 - As proposed by the Board of Executive Officers and approved by the Board of Directors, <i>ad referendum</i> by the General Meeting, the Company may pay or credit interest to shareholders, as interest on equity of the latter, subject to applicable legislation. Any possible amounts thus disbursed may be attributed to the mandatory dividend amount set forth in these Bylaws.</p>	<p>Correction of a mistake, since, in this case, the resolution is final as a result of the authority granted to the Board of Directors, instead of being <i>ad referendum</i> of the General Meeting.</p>
<p>Paragraph 1 - In the event interest is credited to shareholders in the fiscal year and appropriated to the mandatory dividend amount, shareholders shall be paid with the dividends they are entitled to, and shall also be entitled to the payment of any possible remaining balance. In the event dividends are lower than the amount credited to shareholders, the Company may not charge the remaining balance from shareholders.</p>	<p>Paragraph 1 - In the event interest is credited to shareholders in the fiscal year and appropriated to the mandatory dividend amount, shareholders shall be paid with the dividends they are entitled to, and shall also be entitled to the payment of any possible remaining balance. If the value of the dividends is lower than what has been credited to them, the Company will not charge the shareholders for the excess balance.</p>	<p>Paragraph 1 - In the event interest is credited to shareholders in the fiscal year and appropriated to the mandatory dividend amount, shareholders shall be paid with the dividends they are entitled to shareholders, and shall also be entitled to the payment of any possible remaining balance. If the value of the dividends is lower than what has been credited to them, the Company will not charge the shareholders for the excess balance.</p>	<p>Change made for clarity purposes only.</p>



CHAPTER VII - SALE OF SHARE CONTROL, CANCELLATION OF LISTING AS A PUBLICLY-HELD COMPANY, AND WITHDRAWAL FROM "NOVO MERCADO"

Article 43 - Any person or shareholder who purchases or becomes the holder of shares issued by the Company, in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company shall, within no longer than sixty (60) days counted from the acquisition date or the event giving rise to the ownership of shares in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company, carry out or request the registration of, as the case may be, a Public Tender Offer of all shares issued by the Company, subject to the applicable CVM regulation, the Novo Mercado Regulation, other B3 regulations and the provisions in this Article.

(...)

Paragraph 10 - The obligations stated in Article 254-A of the Brazilian Corporations Act and Article 42 of these Bylaws do not release the Buying Shareholder from complying with any obligations stated in this

Article 43 - Any person or shareholder who purchases or becomes the holder of shares issued by the Company, in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company shall, within no longer than sixty (60) days counted from the acquisition date or the event giving rise to the ownership of shares in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company, carry out or request the registration of, as the case may be, a Public Tender Offer of all shares issued by the Company, subject to the applicable CVM regulation, the Novo Mercado Regulation, other B3 regulations and the provisions in this Article.

(...)

Paragraph 10 - The obligations stated in Article 254-A of the Brazilian Corporations Act and Article 43 of these Bylaws do not release the Buying Shareholder from complying with any obligations

Article 43 - Any person or shareholder who purchases or becomes the holder of shares issued by the Company, in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company shall, within no longer than sixty (60) days counted from the acquisition date or the event giving rise to the ownership of shares in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company, carry out or request the registration of, as the case may be, a Public Tender Offer of all shares issued by the Company, subject to the applicable CVM regulation, the Novo Mercado Regulation, other B3 regulations and the provisions in this Article.

(...)

Paragraph 10 - The obligations stated in Article 254-A of the Brazilian Corporations Act and Article 43 of these Bylaws do not release the Buying Shareholder from complying with any obligations stated in this Article, except

Writing style adjustments.



Article, except for the provisions in Articles 50 and 51 of these Bylaws.	stated in this Article, except for the provisions in Articles 51 and 52 of these Bylaws.	for the provisions in Articles 51 and 52 of these Bylaws.	
<p>Article 45 - Voluntary delisting from the Novo Mercado may occur (i) regardless of any public offering to acquire shares, if such is not required by the Company's General Meeting, pursuant to art. 12, x, of these Bylaws, or (ii) in the absence of such waiver, if preceded by a public offer to acquire shares that complies with the procedures set forth by CVM regulations for public offers to acquire shares to delist publicly-held companies and the following requirements:</p> <p>(i) the price offered must be fair and so it is possible to request a new appraisal by the Company, as set forth in article 4-A of Law 6.404/76; and (...)</p> <p>Paragraph 1 - For the purposes of this art. 45, outstanding shares refer only to the shares whose holders expressly agree with the delisting from the Novo Mercado or meet the requirements to participate in the public offer to acquire shares,</p>	<p>Article 45 - Voluntary delisting from the Novo Mercado may occur (i) regardless of any public offering to acquire shares, if such is not required by the Company's General Meeting, pursuant to Article 12, (x), of these Bylaws, or (ii) in the absence of such waiver, if preceded by a public offer to acquire shares that complies with the procedures set forth by CVM regulations for public offers to acquire shares to delist publicly-held companies and the following requirements:</p> <p>(i) the price offered must be fair and so it is possible to request a new appraisal by the Company, as set forth in article 4-A of the Brazilian Corporations Act; and (...)</p> <p>Paragraph 1 - For the purposes of this Article 46, outstanding shares refer only to the shares whose holders expressly agree with the delisting from the Novo Mercado or meet the requirements to participate in the public offer to acquire shares,</p>	<p>Article 45 - Voluntary delisting from the Novo Mercado may occur (i) regardless of any public offering to acquire shares, if such is not required by the Company's General Meeting, pursuant to art. Article 12, (x), of these Bylaws, or (ii) in the absence of such waiver, if preceded by a public offer to acquire shares that complies with the procedures set forth by CVM regulations for public offers to acquire shares to delist publicly-held companies and the following requirements:</p> <p>(i) the price offered must be fair and so it is possible to request a new appraisal by the Company, as set forth in article 4-A of Law No. 6.404/76 of the Brazilian Corporations Act; and (...)</p> <p>Paragraph 1 - For the purposes of this art. Article 46, outstanding shares refer only to the shares whose holders expressly agree with the delisting from the Novo Mercado or meet the requirements to participate</p>	Reference and writing style adjustments.



pursuant to CVM regulations applicable to public tender offers of public-held companies for delisting.	pursuant to CVM regulations applicable to public tender offers of public-held companies for delisting.	in the public offer to acquire shares, pursuant to CVM regulations applicable to public tender offers of public-held companies for delisting.	
CHAPTER VIII - ARBITRATION PANEL			
<p>Article 53 - The Company, its shareholders, managers and member and deputy members of the audit board, if any, agree to settle, by means of arbitration, before the Market Arbitration Chamber (Câmara de Arbitragem do Mercado), under its regulation, any and all controversies that might arise among them, either related to, or arising from, their condition as issuer, shareholders, managers and audit board members, especially, arising from the provisions stated in Law 6,385/76, Law 6.404/76, in Company's Bylaws, rules issued by the Brazilian Monetary Council, Central Bank of Brazil or the Securities and Exchange Commission of Brazil, as well as the other rules applicable to the capital markets operation in general, addition to those contained in The Novo Mercado Regulation, other B3 regulations and the Listing</p>	<p>Article 53 - The Company, its shareholders, managers and member and deputy members of the audit board, if any, agree to settle, by means of arbitration, before the Market Arbitration Chamber (Câmara de Arbitragem do Mercado), under its regulation, any and all controversies that might arise among them, either related to, or arising from, their condition as issuer, shareholders, managers and audit board members, especially, arising from the provisions stated in Law 6,385/76, and in the Brazilian Corporations Act, in the Company's Bylaws, rules issued by the Brazilian Monetary Council, Central Bank of Brazil or the Securities and Exchange Commission of Brazil, as well as the other rules applicable to the capital markets operation in general, addition to those contained in The Novo Mercado Regulation, other B3 regulations and the Listing</p>	<p>Article 53 - The Company, its shareholders, managers and member and deputy members of the audit board, if any, agree to settle, by means of arbitration, before the Market Arbitration Chamber (Câmara de Arbitragem do Mercado), under its regulation, any and all controversies that might arise among them, either related to, or arising from, their condition as issuer, shareholders, managers and audit board members, especially, arising from the provisions stated in Law No. 6.385/76, Law No. 6.404/76, the Brazilian Corporations Act, in the Company's Bylaws, rules issued by the Brazilian Monetary Council, Central Bank of Brazil or the Securities and Exchange Commission of Brazil, as well as the other rules applicable to the capital markets operation in general, addition to those contained in The Novo Mercado Regulation, other B3 regulations and</p>	Adjustment in the writing style.



<p>Agreement for Novo Mercado. (...)</p> <p>Paragraph 2 - The members of the Management and of the Supervisory Board (Fiscal Council), both sitting and deputy ones, will take office subject to the signing of their investiture term, which must include their agreement to the arbitration clause provided for in this Article 53.</p>	<p>Agreement for Novo Mercado. (...)</p> <p>Paragraph 2 - The members of the Management and of the Supervisory Board (Fiscal Council), both sitting and deputy ones, will take office subject to the signing of their investiture term, which must include their agreement to the arbitration clause provided for in this Article 54.</p>	<p>the Listing Agreement for Novo Mercado. (...)</p> <p>Paragraph 2 - The members of the Management and of the Supervisory Board (Fiscal Council), both sitting and deputy ones, will take office subject to the signing of their investiture term, which must include their agreement to the arbitration clause provided for in this Article 54.</p>	
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CHAPTER X - FINAL AND TRANSITIONAL PROVISIONS

(no correspondence in the Bylaws currently in force)

Article 55 - The Company will indemnify and keep indemnified its Management members and external members of the Audit Committee as provided for in Article 24 and other employees who perform a management position or function in the Company or its subsidiaries and, also, those persons, whether employees or not, who have been appointed by the Company to hold statutory positions or not in organizations in which the Company has interests as a shareholder, partner, or sponsor (jointly or separately, hereinafter referred to as the "Beneficiaries"), in the event of any damage or loss actually suffered by the Beneficiaries as a result of the performance of their duties in the Company.

Article 55 - The Company will indemnify and keep indemnified its Management members and external members of the Audit Committee as provided for in Article 23 and other employees who perform a management position or function in the Company or its subsidiaries and, also, those persons, whether employees or not, who have been appointed by the Company to hold statutory positions or not in organizations in which the Company has interests as a shareholder, partner, or sponsor (jointly or separately, hereinafter referred to as the "Beneficiaries"), in the event of any damage or loss actually suffered by the Beneficiaries as a result of the performance of their duties in the Company.

Adding a new Article 55 to the Bylaws, with the consequent renumbering of the subsequent articles, to govern any indemnity agreements to be executed by the Company with its managers and other employees.

The proposed wording is in line with the CVM Guideline Opinion 38, which (i) recognized the legitimacy of using indemnity agreements as an instrument to attract and retain skilled professionals, and (ii) brought recommendations on procedures and precautions that companies must adopt in order to mitigate the risk of breaching trust duties of management members under indemnity agreements.



	<p>Paragraph 1 - If any of the Beneficiaries are convicted, by a final court decision, for actions carried out (i) beyond the performance of their duties; (ii) in bad faith, willful misconduct, serious guilt or through fraud; or (iii) in self-interest or in the interests of third parties, to the detriment of the Company's corporate purpose, such Beneficiary must reimburse the Company for all costs and expenses incurred with legal assistance, pursuant to laws in force.</p> <p>Paragraph 2 - The conditions and limitations of the compensation/indemnity object of this article will be determined in a written document, the implementation of which is the responsibility of the Board of Directors, without prejudice to the contracting of specific insurance to cover management risks.</p>	<p><u>Paragraph 1 - If any of the Beneficiaries are convicted, by a final court decision, for actions carried out (i) beyond the performance of their duties; (ii) in bad faith, willful misconduct, serious guilt or through fraud; or (iii) in self-interest or in the interests of third parties, to the detriment of the Company's corporate purpose, such Beneficiary must reimburse the Company for all costs and expenses incurred with legal assistance, pursuant to laws in force.</u></p> <p><u>Paragraph 2 - The conditions and limitations of the compensation/indemnity object of this Article will be determined in a written document, the implementation of which is the responsibility of the Board of Directors, without prejudice to the contracting of specific insurance to cover management risks.</u></p>	
<p>Article 55 - The cases omitted in these Bylaws shall be settled by the General Meeting and governed pursuant to the Brazilian Corporations Act and the Novo Mercado Regulation.</p>	<p>Article 56 - The cases omitted in these Bylaws shall be settled by the General Meeting and governed pursuant to the Brazilian Corporations Act and the Novo Mercado Regulation.</p>	<p>Article 55 56 - The cases omitted in these Bylaws shall be settled by the General Meeting and governed pursuant to the Brazilian Corporations Act and the Novo Mercado Regulation.</p>	<p>Article renumbering.</p>



<p>Article 50 - The Company shall not grant loans or guarantees of any kind to third parties, in any modality, for businesses that are alien to the corporate purposes.</p>	<p>Article 57 - The Company shall not grant loans or guarantees of any kind to third parties, in any modality, for businesses that are alien to the corporate purposes.</p>	<p>Article 56 57 - The Company shall not grant loans or guarantees of any kind to third parties, in any modality, for businesses that are alien to the corporate purposes.</p>	<p>Article renumbering.</p>
<p>Article 57 - The Company shall comply with the shareholders' agreements filed in its head office, being forbidden any transfer of shares and computation of votes cast in the General Meeting or Board of Directors' meeting contrary to their provisions.</p>	<p>Article 58 - The Company shall comply with the shareholders' agreements filed in its head office, being forbidden any transfer of shares and computation of votes cast in the General Meeting or Board of Directors' meeting contrary to their provisions.</p>	<p>Article 57 58 - The Company shall comply with the shareholders' agreements filed in its head office, being forbidden any transfer of shares and computation of votes cast in the General Meeting or Board of Directors' meeting contrary to their provisions.</p>	<p>Article renumbering.</p>
<p>Article 58 - The provisions of Articles 43 and 52 of these Bylaws shall not apply to the current shareholders already owning a number equal to or higher than twenty percent (20%) and eight percent (8%), respectively, of the total shares issued by the Company and its successors on the publication date of the Notice of Commencement of Public Primary and Secondary Distribution of Shares issued by Totvs S.A. ("<u>Notice of Commencement</u>"), regarding the public offering of shares issued by the Company, subject to CVM</p>	<p>Article 59 - The provisions of Articles 44 and 53 of these Bylaws shall not apply to the current shareholders already owning a number equal to or higher than twenty percent (20%) and eight percent (8%), respectively, of the total shares issued by the Company and its successors on the publication date of the Notice of Commencement of Public Primary and Secondary Distribution of Shares issued by Totvs S.A. ("<u>Notice of Commencement</u>"), regarding the public offering of shares issued by the Company, subject to CVM</p>	<p>Article 58 59 - The provisions of Articles 44 and 53 of these Bylaws shall not apply to the current shareholders already owning a number equal to or higher than twenty percent (20%) and eight percent (8%), respectively, of the total shares issued by the Company and its successors on the publication date of the Notice of Commencement of Public Primary and Secondary Distribution of Shares issued by Totvs S.A. ("<u>Notice of Commencement</u>"), regarding the public offering of shares issued by the Company, subject to CVM Process No. RJ/2005-</p>	<p>Article renumbering and reference adjustment.</p>



Process No. RJ/2005-09750, of December 21st, 2005 (“ <u>Public Offering</u> ”), and shall be applied only to investors that acquire shares and become a shareholder of the Company after the effective date of the Company’s adhesion and listing to the Novo Mercado.	Process No. RJ/2005-09750, of December 21st, 2005 (“ <u>Public Offering</u> ”), and shall be applied only to investors that acquire shares and become a shareholder of the Company after the effective date of the Company’s adhesion and listing to the Novo Mercado.	09750, of December 21st, 2005 (“ <u>Public Offering</u> ”), and shall be applied only to investors that acquire shares and become a shareholder of the Company after the effective date of the Company’s adhesion and listing to the Novo Mercado.	
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EXHIBIT IX

BYLAWS OF TOTVS S.A.

CHAPTER I

NAME, HEADQUARTERS, PURPOSE, AND DURATION

Article 1 - TOTVS S.A. (the "Company") is a Brazilian corporation governed by these Bylaws and the applicable legislation.

Paragraph 1: Upon the Company's admission into the 'Novo Mercado' of B3 S.A. e - Brasil, Bolsa, Balcão (respectively, "Novo Mercado" and "B3"), the Company, its shareholders, including controlling shareholders, directors, officers and members of the supervisory board (fiscal council), when established, are subject to the listing provisions of the 'Novo Mercado' Regulation (the "Novo Mercado Regulation").

Paragraph 2: The provisions of such Novo Mercado Regulation shall prevail over the statutory provisions in case of any risk of damages to the rights of the recipients of the public offers provided for in these Bylaws.

Article 2 - The Company's headquarters and jurisdiction in the Capital City of Sao Paulo, State of Sao Paulo, Brazil, and the Board of Directors is responsible for determining its precise location.

Sole Paragraph - The Company may open, close, and change the address of branches, agencies, warehouses, offices, and any other facilities in Brazil upon resolution of the Board of Executive Officers, or abroad upon the decision of the Board of Directors.

Article 3 - The Company's main purpose is to develop and create computer software and systems. Company's ancillary activities: the provision of consulting and advisory services, exploitation of rights to use its own or third-party computer systems and software, including the rental of software and hardware, the provision of data processing services, training, and the purchase and sale of computers, its accessories, peripherals, and supplies, being able to import goods and services connected to its core activity, granting of *franchising*, retail sale of clothing and related items and their related items, research and technological innovation activities, technical support activity in information technology, including installation, set-up, and maintenance of computer programs and databases, provision of business management consultancy services, data processing activities, hosting, portals, internet information providers and services, *outsourcing* services, as well as taking part of and holding interests in other companies as a partner, shareholder, or member.

Article 4 - The Company's term of duration is indefinite.



CHAPTER II CAPITAL STOCK

Article 5 - The Company's fully subscribed and paid-in capital is R\$1,519,412,187.27 (one billion, five hundred and nineteen million, four hundred and twelve thousand, one hundred and eighty-seven Reals and twenty-seven cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares, with no par value.

Sole Paragraph - The Company cannot issue preferred shares.

Article 6 - The Company is authorized to increase its capital stock up to the limit of R\$4,000,000,000 (four billion Reals).

Paragraph 1 - Within the limit authorized in this Article, the Company may, upon resolution of the Board of Directors, increase the capital stock regardless of performing an amendment to Company's bylaws, including by capitalizing profits or reserves. The Board of Directors will set the conditions for the issue, including their price and time term to pay them in.

Paragraph 2 - Within the limit of the authorized capital, the Board of Directors may decide on the issue of subscription warrants and debentures convertible into shares.

Paragraph 3 - Within the limit of the authorized capital and according to the plans approved by the General Meeting, the Board of Directors may grant option to purchase or subscribe shares to its management members (the "Management Members") and employees ("Employees"), as well as the management members and employees of other companies that are controlled directly or indirectly by the Company, without preemptive rights for shareholders.

Paragraph 4 - The Company is prohibited from issuing founders' shares.

Article 7 - The share capital will be represented exclusively by common shares, and each common share will entitle its holder to one vote in the resolutions of the General Meeting.

Article 8 - All of the Company's shares are book-entry, kept in a deposit account, with the financial institution authorized by the Securities and Exchange Commission ("CVM"), on behalf of their holders, without issuing certificates.

Sole Paragraph - The cost of transfer and registration, as well as the cost of the service related to book-entry shares may be charged directly to the shareholder by the bookkeeping institution, as may be set forth in the book-entry agreement.

Article 9 - At the discretion of the Board of Directors, the time term to exercise the preemptive right in the issue of shares, convertible debentures, and subscription warrants may be excluded or reduced, the placement of which is made through sale on the stock exchange or by public subscription, or else through an exchange for shares, in a public offer for the acquisition of control, under the terms set forth by law, within the limit of the authorized capital.



CHAPTER III GENERAL MEETING

Article 10 - The General Meeting shall regularly meet once a year and, on an extraordinary basis, when called, pursuant to Law 6,404, of December 15, 1976 ("Brazilian Corporations Act") or to these Bylaws.

Paragraph 1 - The resolutions of the General Meeting will be taken by an absolute majority of votes present.

Paragraph 2 - The General Meeting that may decide on the delisting of the Company as a publicly-held company, or its delisting from the Novo Mercado shall be called at least thirty (30) days in advance.

Paragraph 3 - Any resolution about any change to or exclusion of Article 47 of these Bylaws shall be taken by the absolute majority of votes, complying with the required minimum quorum of thirty percent (30%) of the voting capital for taking resolutions.

Paragraph 4 - The General Meeting may only deliberate on matters contained in the agenda and in the corresponding call notice, subject to the exceptions provided for in the Brazilian Corporations Act.

Paragraph 5 - At General Meetings, shareholders must submit, at least 48 (forty-eight) hours in advance, in addition to the identification document and/or relevant corporate actions that prove legal representation, as the case may be: **(i)** proof issued by the bookkeeping entity, no later than 5 (five) days before the date of the General Meeting; **(ii)** the power of attorney with the grantor's signature certified/notarized; and/or **(iii)** as regards those shareholders taking part in the fungible custody of registered shares, a statement showing the corresponding shareholding, issued by the competent body.

Paragraph 6 - The Meeting minutes must be: **(i)** recorded in the book of Minutes of the General Meetings in the form of a summary of the facts that occurred, containing the summary indication of the voting direction of the shareholders attending, the blank votes and the abstentions; and **(ii)** published without the signatures.

Article 11 - The General Meeting will be established and chaired by the Chairman of the Board of Directors or, in his/her absence, it will be chaired by another Director, Executive Officer, or shareholder appointed in writing by the Chairman of the Board of Directors. The Chairman of the General Meeting will appoint up to 2 (two) Secretaries.

Article 12 - The General Meeting, in addition to the duties provided for by law, shall have the following responsibilities:

- (i) electing and removing the Board of Directors' members;
- (ii) determining the global compensation for the members of the Board of Directors and Board of Executive Officers, as well as the members of the Supervisory Board (Fiscal Council), if established;
- (iii) amending the Bylaws;
- (iv) deciding about the dissolution, liquidation, merger, split-up, spin-off or acquisition of the Company, or of any company belonging to the Company;



- (v) assigning share bonuses and deciding on possible splits or reverse splits of shares;
- (vi) approving plans for granting of stock options or share subscription to its Managers and Employees, as well to the managers and employees of other companies directly or indirectly controlled by the Company;
- (vii) resolving, in accordance with proposal submitted by the management on the allocation of profit for the year and dividend distribution;
- (viii) electing the liquidator, as well as the Sueprvisory Board (Fiscal Council) which will operate during the winding-up period;
- (ix) resolving on the delisting from the Novo Mercado of B3;
- (x) waiving from conducting a public offer to acquire shares as a prerequisite for the Company to delist from the Novo Mercado;
- (xi) resolving on the cancellation of the registration as a publicly-held corporation with the CVM, subject to the provisions of Article 45, (ii), of these Bylaws; and
- (xii) resolving on any matters submitted to it by the Board of Directors.

Sole Paragraph - The resolution referred to in item (x) of this Article must be taken by a majority vote of shareholders of outstanding shares attending the Meeting, and blank votes will not be recorded. If established on the first call, the Meeting must be attended by shareholders representing at least 2/3 (two thirds) of the total outstanding shares; and, on the second call, it can be established with any number of shareholders holding outstanding shares.

CHAPTER IV

MANAGEMENT BODIES

Section I - Common Provisions to the Management Bodies

Article 13 - The Company will be managed by the Board of Directors and the Board of Executive Officers.

Paragraph 1 - The members of the Board of Directors will take office subject to the signing of the corresponding investiture term, which must include their agreement to the arbitration clause referred to in Article 53, waiving any management guarantee.

Paragraph 2 - The Directors will remain in their positions until the investiture of their substitutes, unless otherwise resolved by the General Meeting or by the Board of Directors, as the case may be.

Article 14 - The General Meeting shall establish the overall annual compensation for distribution among Managers, and the Board of Directors shall be responsible for individually allocating such amounts, after considering the Personnel and Compensation Committee report, pursuant to the provisions of Article 22 of these Bylaws.



Article 15 - Except as provided for in these Bylaws, any of the management bodies or technical committees shall legally meet with the attendance of the majority of its respective members and resolutions shall be taken by an absolute majority of votes of the attending members.

Sole Paragraph - For the meeting to be valid, the prior call for the meeting may only be waived if all members are present. Any management body members who state their vote by means of a proxy in favor of another member of the respective body, either by a written vote in advance or written vote transmitted by fax, electronic mail, or by any other means of communication shall be deemed as present.

Section II - Board of Directors

Article 16 - The Board of Directors shall be composed of at least 5 (five) and at most 7 (seven) members, elected and dismissable by the General Meeting, with a unified term of office of 2 (two) years, with reelection being allowed.

Paragraph 2 - Of the members of the Board of Directors, at least two (2) or 20% (twenty percent), whichever is greater, must be independent directors, as defined in the Novo Mercado Regulation, and the characterization of such persons appointed to the Board of Directors as independent directors must be resolved at the General Assembly that elects them. Whenever the application of the aforementioned percentage results in a fractioned number of directors, the Company must round it up and consider the immediate higher number.

Paragraph 2 - At the Annual General Meeting the purpose of which is to resolve on the election of the Board of Directors, having in mind the expiration of the Board's term of office, the shareholders shall determine the effective number of members of the Board of Directors for the next term.

Paragraph 3 - Every member of the Board of Directors must have an unblemished reputation and, unless waived by the General Meeting, persons who **(i)** holds positions in companies that may be considered competitors of the Company; or **(ii)** has or represents an interest conflicting with that of the Company, cannot be elected. Members of the Board of Directors shall not exercise their voting right in case the aforementioned inability factors occur.

Paragraph 4 - The Board of Directors' members may not have access to any information or take part in any Board of Directors' meetings related to matters they have or represent any interests that conflict with those of the Company.

Paragraph 5 - For better performance of its duties, the Board of Directors may set up any committees or workgroups with defined purposes, always seeking to advise the Board of Directors, and these committees shall be composed of individuals nominated among management and/or other persons directly or indirectly related to the Company.

Article 17 - The Board of Directors shall have one (1) Chairman and one (1) Vice-Chairman, who shall be elected by absolute majority of votes of the attendees, at the first Board of Directors' meeting held immediately after the investiture of such members, or in case of a resignation or vacancy in these positions. The Deputy Chairman shall exercise the Chairman's duties in his temporary absences and impediments, irrespective of any formality. In the event of any temporary absence or impediment of the Chairman and



the Vice-Chairman, the Chairman's duties shall be exercised by another Board of Directors' member nominated by the Chairman.

Paragraph 1 - The positions of Chairperson of the Board of Directors and of Chief Executive Officer of the Company cannot be held at the same time for the same person.

Paragraph 2 - The Board of Directors' Chairman shall call and chair the Board of Directors meetings and the General Meetings, except for, with respect to the General Meetings, the cases in which another member of the Board of Directors, Executive Officer or shareholder is appointed by the Chairman in writing to preside over the meeting.

Paragraph 3 - In the Board of Directors' resolutions, the Chairman shall be entitled to the casting vote in case of a tie in the votation.

Article 18 - The Board of Directors shall regularly meet six (6) times per year, and on an extraordinary basis, whenever called by the Chairman or by the majority of its members. The Board of Directors meetings may be held via conference call, videoconference or by any other means of communication that allows for the identification of the member and the simultaneous communication with all other persons attending the meeting.

Paragraph 1 - Calls for the meetings shall be made by means of a written notice to be delivered to each member of the Board of Directors at least five (5) days in advance, including the agenda, place, date and time of the meeting.

Paragraph 2 - All Board of Directors' resolutions shall be stated in the minutes drawn up in the respective Minutes Book of the Board of Directors' Meetings and executed by the attending Directors.

Article 19 - The Board of Directors, in addition to other duties entrusted to it by law or by the Bylaws, shall have the following responsibilities:

- (i) setting forth the general guidance of the Company's business;
- (ii) electing and dismissing the Company's executive officers and determining their duties;
- (iii) calling the General Meeting, when deemed applicable, or pursuant to Article 132 of the Brazilian Corporations Act;
- (iv) supervising the management of the Executive Officers, and examining, at any time, the Company's books and papers, requesting information about contracts executed or in the way of being executed, and any other actions;
- (v) choosing and dismissing the Company's independent auditors;
- (vi) providing a prior opinion on the Management Report and the accounts of the Executive Officers and resolving on their submission to the General Meeting;
- (vii) approving the annual and multiannual budgets of the Company, its controlled and affiliated companies, the strategic plans, the expansion projects and investment programs of the Company, as well as following its performance;
- (viii) resolving on the opening, closing and modification of branches of the Company abroad;



- (ix)** authorizing the issuance of Company's shares and subscription bonuses, within the Company's authorized capital limit;
- (x)** resolving on the Company's purchase of its own shares to be held in treasury and/or for later cancellation or sale;
- (xi)** resolving on the granting of stock options or share subscription to its Managers and Employees, as well as to the managers and employees of other companies directly or indirectly controlled by the Company, without preemptive rights for any shareholders pursuant to the plans approved at General Meetings, after taking into account the Personnel and Compensation Committee Report;
- (xii)** submitting to the Annual General Meeting a proposal for allocation of the fiscal years' net profit;
- (xiii)** distributing among the Executive Officers, individually, the portion of the overall annual compensation of the Managers established by the General Meeting, after considering the Personnel and Compensation Committee Report;
- (xiv)** resolving on any deals or agreements between (a) the Company and its controlled companies (except for wholly-owned controlled companies) and (b) between the Company or its controlled companies (whether wholly owned or not) and any of their Managers and/or shareholders (including companies directly or indirectly controlled by said managers and/or shareholders, or by any third parties related to them);
- (xv)** resolving on the issue for public distribution of any debt securities or bonds, including promissory notes, regardless of their amount;
- (xvi)** resolving on the subscription, acquisition, sale or encumbrance by the Company, of shares or any securities issued by any company controlled by the Company or its affiliate;
- (xvii)** resolving on the Company's interest to be held in other companies, as well as on any interests in other undertakings, including through a consortium or a partnership;
- (xviii)** deciding on the payment or credit of interest on equity to shareholders, according to applicable laws;
- (xix)** deciding on the distribution of interim dividends, including to the account of retained earnings or profit reserves existing in the last annual or semi-annual balance sheet;
- (xx)** resolving on the assignment or transfer to a third party, by any means, of intellectual or industrial rights of the Company and/or of a company directly or indirectly controlled by it, except for a remunerated licensing made by the Company in the ordinary course of business;
- (xxi)** authorizing the following transactions the amount of which is higher than five percent (5%) of the amount of the subscribed capital, which will be considered for every separate transaction or a set of related transactions: (a) the acquisition by the Company of assets of another company, including subsidiaries or affiliates; (b) the sale of fixed assets, (c) the provision of guarantees of any nature by the Company; (d) the granting of loans to any third party; (e) investment in expansion and improvement projects that are not included in the Company's annual budget; (f)



the contracting of long- or short-term debt operations; and (g) the execution of any long-term agreements (having an effective term longer than one year);

- (xxii)** giving its favorable or unfavorable opinion regarding any public offer of shares that has as object the shares of the Company, through prior informed opinion, issued within 15 days of publication of the notice of public offering acquisition of shares, which should address at least (a) the convenience and opportunity of the public offer for the acquisition of shares and the interest of the Company and of all shareholders, including in relation to the price and potential impacts on the liquidity of shares (b) strategic plans disclosed by the issuer in relation to the Company, (c) alternatives to the acceptance of supply public acquisition of shares available in the market; (d) the economic value of the Company; and (e) other items which the Board deems appropriate, as well as information required by applicable rules established by the CVM; and
- (xxiii)** giving its opinion on the terms and conditions of corporate reorganizations, capital increases and other transactions that originate a change in control, and documenting if they assure fair and equitable treatment to the company's shareholders.

Paragraph 1 - The Company may not grant financing or guarantees to its Directors or Executive Officers, except to the extent that such financing or guarantees are available to the Company's Employees or customers in general and are previously approved at a General Meeting.

Paragraph 2 - The favorable vote of representatives of the Company regarding any resolution on the matters set forth in this Article at General Meetings and other corporate bodies of the companies controlled by the Company, directly or indirectly, will depend on the approval by the Company's General Meeting.

Section III - Management's Supporting Bodies

Article 20 - The Company shall have the following advisory committees to the Board of Directors, as provided in the charter approved by the Board of Directors:

- (i)** Audit Committee;
- (ii)** Personnel and Compensation Committee; and
- (iii)** Governance and Nomination Committee.

Paragraph 1 The advisory committees will have advisory and non-deliberative functions and should study the matters within their competence and prepare recommendations for the Board of Directors.

Paragraph 2 - The term of office of the members of the advisory committees will coincide with that of the members of the Board of Directors, and their members can be reelected.

Paragraph 3 - The advisory committees will meet at the frequency provided for in the annual calendar approved by the Board of Directors, being ordinarily at least up to 4 (four) times a year, or extraordinarily at the request of their coordinator or the majority of its members.

Paragraph 4 - Each advisory committee will have a coordinator and will have their work and operating rules provided for in a charter approved by the Board of Directors.



Paragraph 5 - The advisory committees will report to the Board of Directors and will act independently from the Company's Board of Executive Officers.

Paragraph 6 - The members of the committees will be subject to the same duties as the directors as provided for in the Bylaws, in the disclosure and negotiation policies, and in the Code of Ethics and Conduct, as well as to the duties and responsibilities provided for in articles 153 to 159 of the Brazilian Corporations Act.

Article 21 - The Personnel and Compensation Committee must be composed of, at least, 3 (three) members, all directors, and at least 2 (two) of them must be independent members.

Article 22 - The Personnel and Compensation Committee will perform advisory functions and shall assist the Board of Directors in determining the terms of the compensation and other benefits and payments to be received in any capacity from the Company by Officers and Directors. The Personnel and Compensation Committee, among other duties provided for in its charter, is responsible for:

- (i) submitting to the Board of Directors a proposal for the distribution of the annual global compensation to Executive Officers and Directors based on best practices observed in the information technology market, as well as to monitor the payment of such compensation and, in the event that it does not follow the best practices in the information technology market, report it to the Board of Directors;
- (ii) providing an opinion on the granting of a stock option or subscription to the Company's Management and Employees;
- (iii) providing an opinion on the profit-sharing of the Company's Officers and Employees;
- (iv) following up the preparation and implementation of a succession plan for the Company's executive officers with the purpose of ensuring that the management can count on professionals to hire or promote, whose professional experience and skills contribute to good performance and the preservation of the Company's value, keeping such plan always up to date for periodic monitoring by the Board, and the succession plan of the Chief Executive Officer will be followed up by the Board Chairman; and
- (v) following up the annual assessment process of the Company's executive officers based on the verification of the achievement of their performance, financial and non-financial goals (including environmental, social, and governance aspects), in line with the Company's ethical values and principles.



Article 23 - The Audit Committee must be composed of at least 3 (three) members, the majority of whom are directors, all of them being independent, and at least 1 (one) of them must have recognized experience in corporate accounting matters.

Paragraph 1 - The Audit Committee, among other duties provided for in its charter, will be responsible for:

- (i) providing its opinion on the hiring and terminating independent audit services;
- (ii) reviewing the quarterly information, interim and yearly financial statements;
- (iii) monitoring the activities of the Company's internal audit and internal controls area;
- (iv) evaluating and monitoring the Corporation's risk exposures;
- (v) examining, assessing, and monitoring the Company's internal policies, including the Policy on Transactions between Related Parties, and recommending to the management any corrections or improvements thereto;
- (vi) assessing whether the Company has the means to receive and deal with information on noncompliance with legal and regulatory provisions applicable to the Company, as well as internal regulations and codes, and also laying down specific procedures to protect the provider and the confidentiality of information; and
- (vii) giving opinions on proposals by management bodies to be submitted to the Shareholders Meeting, related to change in capital, issue of debentures or subscription warrants, investment plans and/or capital budgets, distribution of dividends, transformation, merger, consolidation or spin-off, tax issues, and structured finance operations.

Paragraph 2 - The coordinator of the Audit Committee must attend the Company's Annual General Meeting, making him/herself available to provide clarifications and information to shareholders.

Paragraph 3 - In the event of any temporary inability of the coordinator of the Audit Committee, another member of the Committee, to be expressly appointed by the unable coordinator, will temporarily act as coordinator for the same period that the inability may last. If the unable coordinator is prevented from making such appointment, any of the other two members of the Committee may, by mutual agreement, determine who, among them, will perform the function on an interim basis.

Article 24 - The Governance and Nomination Committee will be composed of at least 3 (three) members, all of whom must be Directors, with at least 2 (two) Independent Directors.

Article 25 - The Governance and Nomination Committee, among other duties provided for in its charter, will be responsible for:

- (i) recommending and monitoring the adoption of good corporate governance practices, as well as the effectiveness of its processes, recommending updates and improvements whenever necessary;



- (ii) setting the channels and processes for interaction between the Company's long-term shareholders and the Board of Directors, especially with regard to issues of strategy, governance, compensation, succession, and formation of the Board of Directors;
- (iii) selecting and nominating to the Board of Directors people who, having met the legal requirements and the needs of the Company, and having heard the relevant interested parties, could be candidates to make up the slates to be approved by the Board of Directors – or individually – for submission for election by the Shareholders Meeting;
- (iv) selecting and recommending to the Board of Directors people who, having met the legal requirements and the needs of the Company, could be nominated to the Board of Directors' Advisory Committees;
- (v) selecting and nominating to the Board of Directors people for the position of Director to fill up vacancies;
- (vi) selecting and nominating to the Board of Directors persons to compose the Company's Supervisory Board (Fiscal Council), if established;
- (vii) supporting the Chairman of the Board of Directors in organizing a formal and periodical performance assessment process of the Board of Directors and the Directors, to be conducted annually;
- (viii) ensuring the existence, effectiveness and implementation of an executive succession plan and monitor its execution with the Personnel and Compensation Committee;
- (ix) expressing its opinion on the disclosure of the Company's governance practices, including in the Reference Form and Management Proposal for the Shareholders Meeting;
- (x) providing an opinion on the participation of people related to the Company as a member of Boards of Directors, Advisory Committees to the Board of Directors, and Fiscal Councils (Supervisory Boards) of other companies, both publicly and privately held; and
- (xi) supporting the Board of Directors to screen candidates for directors as to their ability to act as an independent member.

Section IV - Board of Executive Officers

Article 26 - The Board of Executive Officers will be composed of a minimum of 5 (five) and a maximum of 20 (twenty) members, comprising the following positions, the duties of which will be determined by the Board of Directors: (i) Chief Executive Officer, (ii) up to 9 (nine) Vice-President Officers, and (iii) up to 10 (ten) Executive Officers. The Executive Officers may cumulate functions and will have a unified term of office of 2 (two) annual periods, considering the annual period the time term between 2 (two) Annual General Meetings, with reelection being permitted.

Article 27 - In case of absence or inability of any executive officer, the Board of Executive Officers will choose the corresponding deputy officer from among its members.



Article 28 - In the event of the vacancy of any position, the Board of Directors may designate a substitute Officer who shall serve for the duration of the remaining term of the replaced Officer's term.

Article 29 - It is the responsibility of the Vice-President Officers and the Executive Officers to collaborate with the Chairman Director in the management of the Company's businesses and in conducting all corporate matters.

Article 30 - The Board of Executive Officers holds all the powers to carry out the acts required for the Company's normal operation and for fulfilling its business purpose, however special they may be, including waiver of rights, negotiation and agreement, subject to any applicable legal or statutory provisions. It shall be responsible for managing the Company's business, particularly. It is responsible for managing the Company's businesses, especially:

- (i) complying with and causing the compliance with these Bylaws and the resolutions of the Board of Directors and the General Meeting;
- (ii) annually submitting, to the appreciation of the Board of Directors, the Management Report and the accounts of the Board of Executive Officers, supported by the independent auditors' report, as well as the proposal for allocation of income ascertained in the previous fiscal year;
- (iii) proposing to the Board of Directors the annual and multiannual budgets of the Company, its controlled and affiliated companies, as well as the Company's strategic plans, expansion projects and investment projects;
- (iv) deciding on any matter that is not of exclusive responsibility of the General Meeting or the Board of Directors; and
- (v) resolving on opening, changing and closing branches, warehouses, offices and any other facilities or units in Brazil.

Article 31 - The Company shall be legally bound whenever represented by two (2) members of the Board of Executive Officers, or one (1) member of the Board of Executive Officers and one (1) proxy, or by two (2) proxies within the limits of their corresponding authority.

Paragraph 1 - The Company may be represented by one single Executive Officer or a single proxy in the following cases:

- (i) before any direct or indirect public administration body for the purposes of acts not involving the acceptance or waiver of rights and obligations;
- (ii) pursuant to powers of attorney with the "*ad judicia*" clause;
- (iii) at general shareholders' meetings, or meetings of shareholders or quota- holders in companies or investment funds where the Company is a participant; and
- (iv) in other cases as specified by the Board of Directors.

Paragraph 2 - All powers of attorney will be jointly granted by any 2 (two) Executive Officers.

Paragraph 3 - The Company shall be represented severally by any of the Executive Officers or a duly appointed proxy for the purposes of service of process or legal notices and for personal testimony.



CHAPTER V SUPERVISORY BOARD (FISCAL COUNCIL)

Article 32 - The Supervisory Board (Fiscal Council) shall operate on a non-permanent basis, with the powers and duties assigned to it by law, and shall only be convened upon General Meeting resolution, or at shareholders' request, in the cases provided for by law.

Article 33 - When established, the Supervisory Board (Fiscal Council) shall be composed of three (3) sitting members and an equal number of deputies, shareholders or not, elected and removable from office at any time by the General Meeting.

Paragraph 1 - The members of the Fiscal Council will have a unified mandate of one (1) year, and may be reelected.

Paragraph 2 - The members of the Fiscal Council, at their first meeting, will elect their Chairman.

Paragraph 3 - The members of the Supervisory Board (Fiscal Council) will take office subject to the prior signing of their investiture term, which must include their agreement to the arbitration clause referred to in Article 53.

Paragraph 4 - The members of the Fiscal Council will be replaced, in their absences and impediments, by the corresponding alternate.

Paragraph 5 - In the event a Fiscal Council member position is vacant, the respective deputy shall take office; in case there is no deputy, the General Meeting shall be called to arrange for the election of a new member for the vacant position.

Paragraph 6 - Any person who has a relationship with any company deemed to be a competitor of the Company ("Competitor"), may not be elected for the position of member of the Company's Fiscal Council, and it is prohibited the election of any person who, among other things, is: **(i)** an employee, shareholder or member of a management, technical or supervisory body of the Competitor or of the Competitor's Controlling Shareholder or Controlled Companies (as set forth in Article 42, Paragraph 1 of these Bylaws); **(ii)** a spouse or relative up to the second degree of consanguinity of a member of a management, technical or supervisory body of the Competitor, or of the Competitor's Controlling Shareholder or Controlled Companies.

Article 34 - When established, the Fiscal Council will meet, under the terms of the Brazilian Corporations Act, whenever necessary and will review, at least quarterly, the financial statements.

Paragraph 1 - Regardless of any formalities, the meeting attended by all the members of the Fiscal Committee will be considered regularly called.

Paragraph 2 - The Fiscal Council states its position by absolute majority of votes, with the attendance of most of its members.

Paragraph 3 - All resolutions of the Fiscal Council shall be stated in the minutes drawn up in the respective Fiscal Council Minutes and Opinions book and executed by the attending Board members.



Article 35 - The compensation of the Fiscal Council members shall be determined by the Annual General Meeting electing such members, subject to Paragraph 3 of Article 162 of the Brazilian Corporations Act.

CHAPTER VI PROFIT DISTRIBUTION

Article 36 - The fiscal year begins on January 1st and ends on December 31st of each year.

Sole Paragraph - At the end of each fiscal year, the Board of Executive Officers shall prepare the Company's financial statements, pursuant to any applicable legal provisions.

Article 37 - Together with the financial statements for the year, the Board of Directors shall submit to the Annual General Meeting a proposal on the appropriation of net income for the year, calculated after the deduction of any profit-sharing referred to in Article 190 of Brazilian Corporations Act, in accordance with the provision in Paragraph 1 of this Article, adjusted for purposes of calculation of dividends pursuant to Article 202 of the same law, subject to the following deduction order:

- (i) 5% (five percent), at least, for the legal reserve, until it reaches 20% (twenty percent) of the capital stock. In the year in which the legal reserve balance plus the capital reserve amounts exceeds thirty percent (30%) of the capital stock, the appropriation of part of net income to the year for the legal reserve shall not be mandatory; and
- (ii) the portion required for payment of a mandatory dividend may not be lower, in each year, than twenty-five percent (25%) of the annual adjusted net income, as set forth in Article 202 of the Brazilian Corporations Act.

Paragraph 1 - The General Meeting may assign to the members of the Board of Directors and of the Board of Executive Officers a profit-sharing portion not higher than ten percent (10%) of the outstanding balance of the income for the year, after deduction of the accumulated losses and the provision for income and social contribution taxes, pursuant to the legal format and limits.

Paragraph 2 - The remaining balance of profits, if any, may, in addition to the destination provided for by Art. 196 of the Brazilian Corporations Act, also be allocated, in whole or in part, upon resolution of the General Meeting, to an investment reserve with the purpose of ensuring the maintenance, development, and expansion of the corporate activities up to the limit of the capital stock, observing the provisions of Art. 199 of the Brazilian Corporations Act.

Article 38 - As proposed by the Board of Executive Officers, approved by the Board of Directors, the Company may pay or credit interest to shareholders, as interest on equity of the latter, subject to applicable legislation. Any possible amounts thus disbursed may be attributed to the mandatory dividend amount set forth in these Bylaws.

Paragraph 1 - In the event interest is credited to shareholders in the fiscal year and appropriated to the mandatory dividend amount, shareholders shall be paid with the dividends they are entitled to, and shall also be entitled to the payment of any possible remaining balance. In the event dividends are lower than



the amount credited to shareholders, the Company may not charge the remaining balance from shareholders.

Paragraph 2 - The effective payment of interest on equity, after being credited during the fiscal year, shall be made upon Board of Directors' resolution, in the fiscal year or in the following year, but never after the dividend payment dates.

Article 39 - The Company may prepare six-month balance sheets or balance sheets in shorter periods, and state, upon the Board of Directors resolution:

- (i) the payment of dividends or interest on equity, to the account of income earned in the six month balance sheet, attributed to the mandatory dividend amount, if any;
- (ii) the dividend distribution in periods shorter than six (6) months, or interest on equity, attributed to the mandatory dividend amount, if any, provided that the total dividends paid in each half of the fiscal year does not exceed the capital reserve amounts; and
- (iii) the payment of interim dividends or interest on equity, to the account of retained earnings or profits reserve in the latest balance sheet for the year or for the six-month period, attributed to the mandatory dividend amount, if any.

Article 40 - The General Meeting may resolve on capitalization of profits or capital reserves, including those stated in interim balance sheets, subject to applicable legislation.

Article 41 - Any dividends not received or claimed shall expire within three (3) years, counted from the date in which they were made available to the shareholders, and shall inure to the benefit of Company.

CHAPTER VII

SALE OF SHARE CONTROL, CANCELLATION OF LISTING AS A PUBLICLY-HELD COMPANY, AND DELISTING FROM "NOVO MERCADO"

Article 42 - The direct or indirect Disposal of the Company's ownership control (as defined in Paragraph 1 of this Article), either through a single or successive operations, shall be contracted under either a suspensive or resolutive condition that the Ownership Control buyer be obliged to carry out a Public Tender Offer ("PTO") for the acquisition of shares owned by other shareholders, subject to any conditions and terms set forth in legislation in force and in the regulation in force and the Novo Mercado Regulation, so that such shareholders are entitled to a treatment equal to that of the Shareholder Controlling Seller (as defined in Paragraph 1 of this article).

Paragraph 1 - For the purposes of these Bylaws, the terms below, which begin with capital letters, shall have the following meanings: "Controlling Shareholder" - means the shareholder(s) or the Group of Shareholders that exercise the Controlling Power of the Company. "Selling Controlling Shareholder" means the Controlling Shareholder when he/she makes the Sale of Control of the Company. "Controlling Shares" means the block of shares that ensures, directly or indirectly, its holder(s) the individual and/or shared Controlling Power of the Company. "Acquirer" means one for whom the Controlling Shareholder transfers securities that may result in a Transfer of Control of the Company. "Disposal of Control of the Company" -



means the transfer to third persons, against payment, of the Control Shares, securities convertible into shares with voting rights, assignment of subscription rights to shares or other securities or rights to securities convertible into shares issued by the Company that may result in acquisition of Control by the Buyer. "Group of Shareholders" means a group of persons: **(i)** pegged by agreements or contracts of any nature, either directly or by means of Controlled Companies, Controlling Parties or Under Common Control; or **(ii)** among which there is controlling relationship; or **(iii)** under common control. "Controlling Power" means the power effectively used by shareholders to manage the activities and guide the organs of the Company, directly or indirectly, in fact or law, regardless of ownership interest held. "Economic Value" means the value of the Company and its shares as appraised by a specialized company through a recognized methodology or based on other criteria to be determined by CVM.

Paragraph 2 - In the event the acquisition of control also subjects the Control Buyer to the obligation of carrying out a Public Tender Offer required pursuant to Article 43 of these Bylaws, the purchase price shall be the highest among those determined in conformity with this Article 42 and Article 43, Paragraph 2 of these Bylaws.

Article 43 - Any person or shareholder who purchases or becomes the holder of shares issued by the Company, in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company shall, within no longer than sixty (60) days counted from the acquisition date or the event giving rise to the ownership of shares in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company, carry out or request the registration of, as the case may be, a Public Tender Offer of all shares issued by the Company, subject to the applicable CVM regulation, the Novo Mercado Regulation, other B3 regulations and the provisions in this Article.

Paragraph 1 - The Public Tender Offer shall be: **(i)** equally addressed to all Company's shareholders; **(ii)** carried out in an auction to be held at B3; **(iii)** placed by the price determined in conformity with the provisions of Paragraph 2 of this Article; and **(iv)** paid in cash, in the domestic currency, against the acquisition in the OPA of shares issued by the Company.

Paragraph 2 - The purchase price in the Public Tender Offer for each share issued by the Company may not be lower than the highest amount between **(i)** one hundred and twenty-five percent (125%) of the highest unit quotation reached for the shares issued by the Company during the twelve (12) month period prior to the Public Tender Offer in any stock exchange in which the Company's shares are traded; **(ii)** one hundred and twenty-five percent (125%) of the highest unit price paid by the Buying Shareholder, at any time, for a share or a share lot issued by the Company; **(iii)** the Economic Value determined in the appraisal report.

Paragraph 3 - Any shareholders who are holders of shares representing at least ten percent (10%) of capital stock may request a new appraisal report to be prepared in the same format as that referred to in item **(iii)** of Paragraph 2 of this Article, but by a different institution. **(I)** In case the new appraisal report determines a price per share lower than the one calculated as set forth in Paragraph 2 of this Article, the higher price shall prevail and the shareholders who requested the new appraisal report shall be fully liable for its costs proportionally to their interest in the Company's capital stock. **(II)** In case the appraisal report as set forth in this Paragraph determines a price per share higher than that obtained as set forth in Paragraph 2 of this Article, the Buyer may: **(1)** waive the Public Tender Offer and agree to dispose of the excess



interest within three months counted from the acquisition, and any costs on the preparation of new appraisal report must be fully paid by the shareholders who requested its preparation, proportionally to their interest in the Company's capital stock; **(2)** carry out the Public Tender Offer for the price per share stated in the new appraisal report, and any costs on the preparation of the new appraisal report must be fully paid by the Company.

Paragraph 4 - In the event the Public Tender Offer (OPA) price is revised, as set forth in Paragraph 3 of this Article, and provided that there is no waiver from the Buyer, the auction shall start at the new price, and a material fact shall be published to report the price revision and the maintenance or waiver of the Public Tender Offer.

Paragraph 5 - Upon revision of the Public Tender Offer price, the following procedure shall be adopted:

- (i)** the request for a new appraisal report on the price per Company's share, based on the Economic Value, duly documented and supported by evidence showing the flaw or inaccuracy of the calculation methodology employed or the evaluation criterion adopted, shall be carried out within fifteen (15) days counted from the disclosure of the Public Tender Offer amount, and shall interrupt the registration process or, in case such registration is already granted, it shall interrupt the Public Tender Offer notice period, postponing the respective auction, and the Buying Shareholder shall arrange for the publication of a material fact reporting such postponement and the date stated for the holding of the Board of Directors' meeting which shall choose a specialized company to prepare the new appraisal report;
- (ii)** in case the Board of Directors decides that a new appraisal of the Company shall not be prepared, the registration process or the Public Tender Offer itself shall be resumed for the remaining period, as the case may be, and, for the latter, the Buying Shareholder shall arrange for the publication of a material fact with the new auction date;
- (iii)** in case the appraisal report determines an amount equal to or lower than the Public Tender Offer value obtained as set forth in Paragraph 2 of this Article, the registration process or the Public Tender Offer itself shall be resumed for the remaining period, as the case may be, and, for the latter, the Buying Shareholder shall arrange for the publication of a material fact with the new auction date;
- (iv)** in case the appraisal report determines an amount higher than the Public Tender Offer value obtained as set forth in Paragraph 2 of this Article, the Buying Shareholder shall publish, within five (5) days counted from the submission of the appraisal report, a material fact stating its position to maintain or waive the Public Tender Offer, by clarifying, for the first case, that it will resume the registration process, or of the Public Tender Offer itself for the remaining period, as the case may be, and, for the latter, the Buyer shall arrange for the publication of a material fact with the new auction date and the new price;
- (v)** the fifteen (15) day period referred to in item (i) of this Paragraph 5 shall only start after the original appraisal report is delivered to CVM, or after it is made available as set forth in item (viii) of this Paragraph 5, if it comes first, and the Buying Shareholder shall publish a material fact reporting such delivery;



- (vi) the Board of Directors' meeting resolving on a new appraisal shall nominate the institution in charge for the preparation of such appraisal report, approve the related fees, establish a period no longer than thirty (30) days for conclusion of services, and determine that the appraisal report be forwarded to the Company, for the attention of its Investor Relations Officer, to the stock exchange in which the auction is to be held, and to CVM, in addition to being sent to CVM electronic mail in the specific format determined by CVM;
- (vii) the institution in charge for preparing the appraisal report shall also, on the same date it forwards the appraisal report to CVM, inform the intermediate institution operating in the Public Tender Offer, as set forth in Article 4, IV of CVM Instruction No. 361, of March 5, 2002 ("CVM Instruction 361"), the outcome of such appraisal, so that such institution and the Buying Shareholder adopt any applicable measures among those set forth in items (iii) and (iv) of this Paragraph 5;
- (viii) the appraisal report referred to in this Paragraph 5 shall be made available in the same locations, and in the same format, of the appraisal report referred to in Article 8 of CVM Instruction 361; and
- (ix) the minutes of the Board of Directors' meeting referred to in this Paragraph 5 shall necessarily state the names of the shareholders who requested the new appraisal, for effects of the possible application of the provision in Paragraph 3, (I) and (II.2) of this Article 43.

Paragraph 6 - - The takeover (OPA) to be carried out as mentioned in the caption of this Article will not exclude the possibility of another shareholder of the Company or, if the case may be, the Company itself, to propose a competing takeover (OPA), under the terms of the applicable standards.

Paragraph 7 - The Buyer shall be obliged to comply with any possible CVM requests or requirements, related to the Public Tender Offer, made based on and within the deadlines set forth in applicable regulation.

Paragraph 8 - In the event the Buyer fails to comply with any obligations imposed by this Article, including those related to the compliance with deadlines for **(i)** carrying out or requesting registration of the Public Tender Offer; or **(ii)** complying with any possible CVM requests or requirements, or with any obligations provided for by Article 52 of these Bylaws, the Company's Board of Directors shall call an Extraordinary General Meeting, in which the Buyer may not vote, in order to resolve the suspension of the exercise of the rights of the Buyer who failed to comply with any obligation imposed by this Article, provided for by Article 120 of Brazilian Corporations Act, without prejudice to the Buyer's liability for any losses and damages caused to other shareholders arising from such noncompliance with obligations imposed by this Article.

Paragraph 9 - Any Shareholder or person acquiring or becoming the holder of other rights, including usufruct or trust, on the shares issued by the Company in a number equal to or higher than twenty percent (20%) of the total shares issued by the Company, shall be equally obliged to carry out or request the registration, as the case may be, of a Public Tender Offer, within no longer than sixty (60) days counted from the date of such purchase or the event which gave rise to the holding of such rights on shares in an amount equal to or higher than twenty percent (20%) of the total shares issued by the Company, pursuant to the provisions in this Article.



Paragraph 10 - The obligations stated in Article 254-A of the Brazilian Corporations Act and Article 42 of these Bylaws do not release the Buying Shareholder from complying with any obligations stated in this Article, except for the provisions in Articles 50 and 51 of these Bylaws.

Paragraph 11 - The provision in this Article shall not apply in the event of a person becoming the holder of shares issued by the Company in a number higher than twenty percent (20%) of the total shares issued, arising from: **(i)** any legal succession, under the condition that the shareholder disposes of any excess shares within sixty (60) days counted from the material event; **(ii)** any amalgamation of another company by the Company; **(iii)** the merger of shares of another company by the Company; or **(iv)** the subscription of Company's shares, carried out at a single primary issue, which has been approved in a Company's Annual General Meeting called by its Board of Directors, and whose capital increase proposal has determined the issue price of shares based on the Economic Value obtained from a valuation report on the Company conducted by a specialized company with proven experience in the evaluation of publicly-held companies.

Paragraph 12 - For calculation of the percentage of twenty percent (20%) of the total shares issued by the Company described in the main provision of this Article, any involuntary additions to ownership interest arising from the cancellation of treasury shares or decrease in the Company's capital stock with the cancellation of shares shall not be computed.

Paragraph 13 - In the event the CVM regulation applicable to Public Tender Offer set forth in this Article determines the adoption of a calculation criterion to define the purchase price of each Company's share in the Public Tender Offer which gives rise to a purchase price higher than that defined in Paragraph 2 of this Article, then the purchase price calculated pursuant to CVM regulation shall prevail for holding the Public Tender Offer set forth in this Article.

Paragraph 14 - Any change which restricts the shareholders' right to carry out the Public Tender Offer set forth in this Article, or the exclusion of this Article, shall oblige the shareholders who voted for such change or exclusion at a General Meeting to carry out the Public Tender Offer set forth in this Article, in conformity with the provisions in Paragraph 3 of Article 10 of these Bylaws.

Article 44 - The Public Tender Offer, to be carried out by the Controlling Shareholder, or the Company for the Company's deregistration as a publicly-held company must be conducted at a fair price, as per the applicable law and regulations.

Article 45 - Voluntary delisting from the Novo Mercado may occur (i) regardless of any public offering to acquire shares, if such is not required by the Company's General Meeting, pursuant to Article 12, (x), of these Bylaws, or (ii) in the absence of such waiver, if preceded by a public offer to acquire shares that complies with the procedures set forth by CVM regulations for public offers to acquire shares to delist publicly-held companies and the following requirements:

- (i)** the price offered must be fair and so it is possible to request a new appraisal by the Company, as set forth in article 4-A of the Brazilian Corporations Act; and
- (ii)** shareholders holding more than one-third (1/3) of outstanding shares shall accept the public tender offer or expressly agree with the delisting from the segment without selling their shares.



Paragraph 1 - For the purposes of this Article 45, outstanding shares refer only to the shares whose holders expressly agree with the delisting from the Novo Mercado or meet the requirements to participate in the public offer to acquire shares, pursuant to CVM regulations applicable to public tender offers of public-held companies for delisting.

Paragraph 2 - If the abovementioned quorum is reached: (i) shareholders who accepted the public tender offer cannot be submitted to apportionment in the sale of their ownership interest, in accordance with the procedures for the waiver of the limits established in CVM regulations applicable to public tender offers, and (ii) the offeror is obliged to acquire the remaining outstanding shares within one (1) month from the date of the auction, at the final price of the public tender offer, adjusted for inflation until the effective payment date, as per the notice of auction and the regulations in force, which shall occur within fifteen (15) days from the date of exercise of the right by shareholders.

Article 46 - If there is no Controlling Shareholder, in case the Company's delisting from Novo Mercado is decided so that the securities it has issued may be recorded for purposes of negotiation out of Novo Mercado, or because of a corporate reorganization operation, in which the company resulting from such reorganization does not have its securities cleared for negotiations at Novo Mercado within one hundred and twenty (120) days counted from the date of the General Meeting that approved said operation, such leaving is conditioned to the performance of a takeover bid under the same conditions set forth in article 45 above.

Paragraph 1 - Said General Meeting must determine the person(s) in charge of making the public takeover bid. If such person(s) in charge are present at the meeting, they ought to take the obligation to make such bid expressly.

Paragraph 2 - If the persons in charge of making the takeover bid are not selected, in a case of corporate reorganization operation in which the company resulting from such reorganization does not have its securities cleared for trading at Novo Mercado, the shareholders who vote for the corporate reorganization must make said bid/public offer.

Paragraph 3 - The public tender offer for the purposes envisaged in this Article will follow the procedures for holding a public tender offer for cancellation of registration as a publicly-held company.

Article 47 - If there is no Controlling Shareholder and B3 determines that the securities issued by the Company have their trading interrupted in the Novo Mercado in view of noncompliance with the obligations stated in the Novo Mercado Regulation, the Board of Directors' Chairman shall call an Extraordinary General Meeting to replace the whole Board of Directors within two (2) days from such determination, and this period shall only compute the days in which the newspapers usually used by the Company are published.

Paragraph 1 - In the event the Board of Directors' Chairman fails to call the Extraordinary General Meeting referred to in the caput of this Article within the established period, such Meeting may be called by any shareholder of the Company.

Paragraph 2 - The new Board of Directors elected at the Extraordinary General Meeting referred to in the caput and in Paragraph 1 of this Article shall remedy any noncompliance with the obligations stated in the Novo Mercado Regulation as soon as possible or within a new deadline granted by B3 for this purpose, whichever is shorter.



Article 48 - In the event of Company delisting from the Novo Mercado in view of any noncompliance with obligations stated in the BM&FBOVESPA's Novo Mercado Regulation, that delisting shall be preceded by a Public Tender Offer, as provided in Article 45 of these Bylaws and subject to the applicable law and regulations.

Paragraph 1 - The Controlling Shareholder shall carry out the Public Tender Offer referred in the caput of this article.

Paragraph 2 - In case there is no Controlling Shareholder and the delisting from Novo Mercado referred to in the caption results from a decision made by the General Meeting, the shareholders who have voted for the decision that entailed such non-compliance ought to make the takeover bid set forth in the caption.

Paragraph 3 - In case there is no Controlling Shareholder and the delisting from Novo Mercado referred to in the caption occurs as a result of an act of fact by the management, the Company's management members shall call the General Meeting of shareholders, the agenda of which would be how to solve the non-compliance with the obligations described in the Novo Mercado Regulation or, as the case may be, decide on the Company delisting from Novo Mercado.

Paragraph 4 - In case the General Meeting mentioned in Paragraph 3 above decides on the Company delisting from Novo Mercado, said General Meeting must select the person(s) in charge of making the takeover bid set forth in the caption, and if he/she(they) is(are) present at the Meeting, he/she(they) shall take the obligation to make such bid/offer expressly.

Article 49 - The appraisal report of the Company to determine the fair price and/or the Economic Value, as applicable, shall be prepared by a specialized company, with proven experience and independence from the Company, its management and/or Controlling Shareholders. The appraisal report shall also comply with the requirements of Paragraph 1 of Article 8 of the Brazilian Corporations Act and include the obligation set forth in Paragraph 6 of the same Article 8.

Sole Paragraph - The costs of preparing the appraisal report must be fully borne by those responsible for carrying out the public offer for the acquisition of shares, as the case may be, except for the provisions of Paragraph 3 of Article 45 of these Bylaws.

Article 50 A single Public Tender Offer (OPA) aiming more than one of the purposes set forth in this Chapter VII, in the Novo Mercado Regulation or in the regulation issued by the CVM, shall be permitted, provided that procedures are compatibles with all types of Public Tender Offers and there is no loss to the offer addressees and CVM approval is obtained if required by applicable legislation.

Article 51 - The Company or the shareholders in charge for the Public Tender Offer set forth in this Chapter VII, in the Novo Mercado Regulation or in the regulation issued by the CVM, may ensure its completion by any shareholder, third party or, as the case may be, by the Company. The Company or the shareholder, as the case may be, shall not be released from the obligation of completing the Public Tender Offer until it is completed in compliance with the applicable legislation.

Article 52 - Any shareholder or third person who has subscribed and/or purchased shares issued by the Company in a number equal to, or higher than, eight percent (8%) of the Company's corporate capital, and that is willing to purchase additional shares issued by the Company at the stock exchanges, shall be obliged



to, prior to each new purchase, report its intention, in writing, to the Company, with at least three (3) business days in advance as of the date of the new purchase of shares, always subject to the provisions of the applicable legislation and CVM and B3 regulations.

CHAPTER VIII

ARBITRATION PANEL

Article 53 - The Company, its shareholders, managers and member and deputy members of the audit board, if any, agree to settle, by means of arbitration, before the Market Arbitration Chamber (Câmara de Arbitragem do Mercado), under its regulation, any and all controversies that might arise among them, either related to, or arising from, their condition as issuer, shareholders, managers and audit board members, especially, arising from the provisions stated in Law 6,385/76, and in the Brazilian Corporations Act, in the Company's Bylaws, rules issued by the Brazilian Monetary Council, Central Bank of Brazil or the Securities and Exchange Commission of Brazil, as well as the other rules applicable to the capital markets operation in general, addition to those contained in The Novo Mercado Regulation, other B3 regulations and the Listing Agreement for Novo Mercado.

Paragraph 1 - Without prejudice to the validity of this arbitration clause, the request of emergency measures by the parties to the Judiciary, where applicable, shall observe the provisions stated in the Arbitration Regulation of the Market Chamber of Arbitration.

Paragraph 2 - The members of the Management and of the Supervisory Board (Fiscal Council), both sitting and deputy ones, will take office subject to the signing of their investiture term, which must include their agreement to the arbitration clause provided for in this Article 53.

CHAPTER IX

WINDING-UP OF THE COMPANY

Article 54 - The Company shall be liquidated in the cases provided by the law, and the General Meeting shall be responsible for choosing the liquidator or liquidators, as well as the Fiscal Council that will operate during such period, subject to any legal requirements.

CHAPTER X

FINAL AND TRANSITIONAL PROVISIONS

Article 55 - The Company will indemnify and keep indemnified its Management members and external members of the Audit Committee as provided for in Article 23 and other employees who perform a management position or function in the Company or its subsidiaries and, also, those persons, whether employees or not, who have been appointed by the Company to hold statutory positions or not in organizations in which the Company has interests as a shareholder, partner, or sponsor (jointly or separately, hereinafter referred to as the "Beneficiaries"), in the event of any damage or loss actually suffered by the Beneficiaries as a result of the performance of their duties in the Company.



Paragraph 1 - If any of the Beneficiaries are convicted, by a final court decision, for actions carried out (i) beyond the performance of their duties; (ii) in bad faith, willful misconduct, serious guilt or through fraud; or (iii) in self-interest or in the interests of third parties, to the detriment of the Company's corporate purpose, such Beneficiary must reimburse the Company for all costs and expenses incurred with legal assistance, pursuant to laws in force.

Paragraph 2 - The conditions and limitations of the compensation/indemnity object of this Article will be determined in a written document, the implementation of which is the responsibility of the Board of Directors, without prejudice to the contracting of specific insurance to cover management risks.

Article 56 - The cases omitted in these Bylaws shall be settled by the General Meeting and governed pursuant to the Brazilian Corporations Act and the Novo Mercado Regulation.

Article 57 - The Company shall not grant loans or guarantees of any kind to third parties, in any modality, for businesses that are alien to the corporate purposes.

Article 58 - The Company shall comply with the shareholders' agreements filed in its head office, being forbidden any transfer of shares and computation of votes cast in the General Meeting or Board of Directors' meeting contrary to their provisions.

Article 59 - The provisions of Articles 43 and 52 of these Bylaws shall not apply to the current shareholders already owning a number equal to or higher than twenty percent (20%) and eight percent (8%), respectively, of the total shares issued by the Company and its successors on the publication date of the Notice of Commencement of Public Primary and Secondary Distribution of Shares issued by Totvs S.A. ("Notice of Commencement"), regarding the public offering of shares issued by the Company, subject to CVM Process No. RJ/2005-09750, of December 21st, 2005 ("Public Offering"), and shall be applied only to investors that acquire shares and become a shareholder of the Company after the effective date of the Company's adhesion and listing to the Novo Mercado.



EXHIBIT X

PROTOCOL AND JUSTIFICATION OF MERGER OF NEOLOG CONSULTORIA DE SISTEMAS S.A.

PROTOCOL AND JUSTIFICATION OF MERGER OF NEOLOG CONSULTORIA E SISTEMAS S.A. BY TOTVS S.A.

The management members of the Companies named below:

(1) TOTVS S.A., a publicly-held corporation headquartered in the City of Sao Paulo, State of Sao Paulo, Brazil, at Avenida Braz Leme, nº 1000, Casa Verde district, enrolled with the Corporate Taxpayers' Roll of the Ministry of Economy ("CNPJ/ME") under No. 53.113.791/0001-22 and with its articles of incorporation duly filed with the Board of Trade of the State of São Paulo (JUCESP) under NIRE 35.300.153.171, herein duly represented according to its Bylaws (hereinafter referred to as "**TOTVS**"); and

(2) NEOLOG CONSULTORIA E SISTEMAS S.A., a closed corporation headquartered in the City of Sao Paulo, State of Sao Paulo, Brazil, at Avenida Engenheiro Luiz Carlos Berrini, nº 1,681, 14th floor, Condomínio Edifício Berrini, Zip code (CEP) 04571-001, enrolled with the Corporate Taxpayers' Roll of the Ministry of Economy ("CNPJ/ME") under No. 05.254.381/0001-59, with its articles of incorporation duly filed with the Board of Trade of Sao Paulo (JUCESP) under NIRE 35.300.475.224, herein duly represented according to its Bylaws (hereinafter, "**Neolog**" and, when referred to jointly with TOTVS, the "**Companies**").

WHEREAS:

(A) TOTVS is a publicly-held corporation with shares traded at B3 SA - Brasil, Bolsa, Balcão, the capital stock of which, fully subscribed and paid up, is R\$1,382,508,564.43 (one billion, three hundred and eighty-two million, five hundred and eight thousand, five hundred and sixty-four Reals and forty-three cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares with no par value, which has as corporate purpose: (1) the creation and development of computerized systems (software); (2) the provision of consultancy, advisory services, exploitation of rights to use their own or third-party computer systems, including through the rental of software and hardware; (3) the provision of data processing, training services and the purchase and sale of computers, their accessories, peripherals and supplies, being able to import goods and services related to their core activity; (4) granting of franchising; (5) retail trade in clothing and related items and their complements; (6) research and technological innovation activities; (7) technical support for



computers, including installation, setting up, and maintenance of computer programs and databases; (8) provision of business management consultancy services; (9) data processing activities; (10) hosting, portals, providers and information services on the internet; (11) outsourcing services; as well as (12) holding interests in other companies as a shareholder, partner, or member; and

- (B) Neolog is a private corporation the capital of which, fully subscribed and paid in, is R\$ 660,000 (six hundred and sixty thousand Reals), divided into 660,000 (six hundred and sixty thousand) registered common shares with no par value, all of them owned by TOTVS, which has as its corporate purpose: the provision of computer program development services to third parties; (2) licensing the use of computer programs and software of own and of third parties; (3) the provision of technical support services, including installation, setting up, and maintenance for use in computer programs of its own or of third parties; and (4) the provision of IT consulting and training services.

NOW, THEREFORE, THE PARTIES ABOVE HEREBY DECIDE, in compliance with the provisions of Articles 223 and following of Law No. 6,404 of December 15, 1976 ("**Brazilian Corporations Act**") to enter into this Protocol and Justification of Merger (the "**Protocol**"), with the purpose of merging Neolog by TOTVS ("**Merger**"), to be proposed to the shareholders of the Companies to be approved at their extraordinary general meetings.

1 PURPOSE

- 1.1** The present Protocol has as purpose to provide for the bases of the Merger to be proposed to the shareholders of the Companies at their extraordinary general meetings, pursuant to articles 223 and the following of the Brazilian Corporations Act.
- 1.2** It is proposed that TOTVS acquires Neolog at its book value on January 31, 2021 ("**Base Date**"), and as a result of that, it becomes the successor of Neolog in all its assets, rights, claims, authority, powers, immunities, actions, exceptions, duties, obligations, liabilities, encumbrances, and responsibilities, effective from the date of approval of the Merger by the shareholders of TOTVS and Neolog. The Merger will result in the extinction of Neolog, without any change in TOTVS's capital stock or shareholders' equity, as explained in section 4.1.

2 JUSTIFICATION AND INTEREST OF COMPANIES IN PERFORMING THE MERGER

- 2.1** The managements of the Companies understand that the implementation of this Merger is of the utmost convenience to the corporate interests of said companies since the unification of their activities and management will result in benefits to the operations and businesses of both companies, of an administrative, economic, and financial nature, including: (i) the optimization and simplification of its corporate structure and, accordingly, the consolidation and reduction of combined operating costs and expenses; and (ii) better management of operations, assets and cash flows of both companies, due to the combination of the business resources and assets involved.
- 2.2** In addition, the Merger will result in the use, under the tax legislation in force and without the issuance of new shares, and therefore, for the benefit of all TOTVS's shareholders, of goodwill



recorded by TOTVS in the amount of R\$25,760,383.36 (twenty-five million, seven hundred and sixty thousand, three hundred and eighty-three Reals and thirty-six cents), arising from the Merger on February 11, 2015.

3 APPRAISAL

- 3.1 Appraisal.** As a result of the Acquisition, the entire equity of Merger will be transferred to TOTVS, with the consequent extinction of Merger. The stockholders' equity of Neolog was appraised based on its book value, on the Base Date, by Apsis Consultoria e Avaliação Ltda., a limited liability company headquartered in the capital city of Rio de Janeiro, State of Rio de Janeiro, Brazil, at Rua do Passeio, nº 62, 6th floor, Centro district, Zip code (CEP) 20.021-290, enrolled with the Corporate Taxpayers' Roll (CNPJ/ME) under No. 08.681.365/0001-30 and at the Regional Accounting Board of the State of Rio de Janeiro ("CRC-RJ") under No. 005112/O-9, represented by its partner, Mr. **LUIZ PAULO CESAR SILVEIRA**, Brazilian citizen, accountant, residing and domiciled in the city of Rio de Janeiro, State of Rio de Janeiro, Brazil, with office at Rua do Passeio, nº 62, 6th floor, Centro, CEP 20.021-290, bearer of the identification document (RG) No. 89.100.165-5, registered with the Individual Taxpayers' Roll ("CPF/ME") under No. 886.681.937-91 and holder of the accountant identification (CRC-RJ) No. 118.263/P-0 (hereinafter, "**Apsis**"), based on the balance sheet prepared by Neolog's management on the same base date and for that specific purpose, which issued the appraisal report set out in **Exhibit A** to this Protocol (the "**Report**"). Apsis was appointed by the directors of TOTVS to assess Neolog's shareholders' equity and prepare the corresponding Report, "*ad referendum*" for approval by TOTVS's shareholders.
- 3.2 Stockholders' Equity** According to the Report, Neolog's stockholders' equity, on the Base Date, is worth at least R\$2,498,709.35 (two million, four hundred and ninety-eight thousand, seven hundred and nine Reals and thirty-five cents) (the "**Stockholders' Equity**"), which amount is already reflected in TOTVS's stockholders' equity using the equity method.
- 3.3 Changes in stockholders' equity.** Neolog's equity changes after the Base Date will be absorbed by TOTVS and recorded directly on its financial statements, in which Neolog's accounting records are already reflected by the equity method.
- 3.4 Absence of Conflict.** Apsis has no interest, directly or indirectly, in the companies involved in the Merger, or, even with regard to the Merger itself, which could prevent or affect the preparation of the Report requested by it, for the purposes of the Merger.
- 3.5 Art. 264 of Law No. 6,404/1976 is not applicable.** As already stated by the Collegial decision-making body of the Securities and Exchange Commission, in a decision issued on February 15, 2008, in response to a consultation with the Superintendence of Relations with Companies - SEP, article 264 of Law no. 6.404/1976 is not applicable since it involves the merger of a wholly-owned subsidiary by a publicly-held corporation, and there are no non-controlling shareholders and, consequently, an exchange ratio is not present; therefore, the essential condition provided for in said legal provision is not present.



4 GENERAL ASPECTS OF THE MERGER

If the Merger proposal is approved, the Merger will be implemented as follows:

4.1 Capital Stock

4.1.1 Current corporate composition

- (i) **Neolog.** Neolog's capital stock, fully subscribed and paid in, is R\$ 660,000 (six hundred and sixty thousand Reals), divided into 660,000 (six hundred and sixty thousand) shares, with a par value of R\$1.00 (one Real) each share, capital stock that is wholly owned by TOTVS.
- (ii) **TOTVS.** TOTVS's fully subscribed and paid-in capital stock is R\$1,382,508,564.43 (one billion, three hundred and eighty-two million, five hundred and eight thousand, five hundred and sixty-four Reals and forty-three cents), divided into 577,913,181 (five hundred and seventy-seven million, nine hundred and thirteen thousand, one hundred and eighty-one) common shares, all of them registered, book-entry shares, with no par value.

4.1.2 Effects of the Merger on the Companies' capital stock and stockholders' equity

- (i) **Succession of rights and obligations.** TOTVS will assume active and passive responsibility for Neolog's assets that will be transferred to TOTVS under the terms hereof, being TOTVS the successor to all Neolog's assets, rights, and obligations.
- (ii) **Increase in TOTVS's Capital Stock and Stockholders' Equity.** The Merger, if approved, will not result in the issuance of new shares or in the capital increase of TOTVS, which will remain unchanged, considering that all the shares representing Neolog's capital stock is held by TOTVS and, therefore, the investment that TOTVS has in Neolog will be canceled and replaced by the assets and liabilities contained in the Report. There will still be no amendment to TOTVS's bylaws to formalize the Merger.
- (iii) **Extinction of Neolog.** Considering that all shares of Neolog's stock capital to be acquired are owned by the acquiring company, the provisions of Paragraph 1 of Article 226 of the Brazilian Corporations Act apply, and the shares representing Neolog's capital stock, already owned by TOTVS, must be extinguished and canceled. As a result of the merger of Neolog's stockholders' equity by TOTVS, Neolog will be extinguished upon the approval of the Merger.
- (iv) **Reimbursement of Dissenting Shareholders.** There is no need to speak of dissenting interests or right to withdraw, insofar as all the shares of the company to be acquired is owned by the acquiring company and, therefore, the Merger will be unanimously approved by the acquired company's sole shareholder.



5 ACTIONS REQUIRED FOR THE MERGER

5.1 The effectiveness of the Merger will depend on the following actions:

5.1.1 The General Shareholders' Meeting of TOTVS to decide on: (i) the Protocol; (ii) the ratification of the hiring of Apsis pursuant to paragraph 1 of Article 227 of the Brazilian Corporations Act; (iii) the Report; (iv) the Merger; and (v) the authorization for the management to carry out the necessary steps to implement the previous resolutions, if they are approved by the shareholders of TOTVS; and

5.1.2 Neolog's General Shareholders' Meeting to resolve on: (i) the Protocol; (ii) the Merger; and (iii) the authorization for the management to carry out the necessary steps to implement the previous resolutions in case they are approved by Neolog's only partner.

6 GENERAL PROVISIONS

6.1 Applicable Documentation. The applicable documentation is available to TOTVS's shareholders at its registered office, on the TOTVS Investor Relations website (www.ri.totvs.com) and on the websites of the Brazilian Securities and Exchange Commission (CVM) and B3 S.A., Brasil, Bolsa, Balcão.

6.2 Severability of provisions. In case any court may decide that any of the covenants contained in this Protocol is null or ineffective, such fact shall not affect the validity or effectiveness of the remaining provisions and covenants, which shall be fully complied with, and the Companies hereby undertake to use their best efforts in order to adjust in a valid way such provision(s) to achieve the same effects of the covenant that might have been canceled or become ineffective.

6.3 Entire Agreement, exhibits, and amendments. This Protocol and its exhibits constitute the entire agreement, i.e., include all the understandings and covenants existing by and between the Companies' management members, as applicable, as regards the matters covered and governed herein. This Protocol and its exhibits can only be amended or changed through an instrument in writing undersigned by the Companies' management members.

6.4 Filing and Publication of Actions. Once the Merger has been approved by the shareholders of TOTVS and the shareholder of Neolog, it will be the responsibility of TOTVS's management to promote the filing and publication of all actions connected to the Merger and to perform the required registrations before the competent federal, state, and local departments. The costs and expenses arising from the implementation of the Merger will be borne by TOTVS.

6.5 Governing law. This Protocol shall be governed by and construed pursuant to the laws of the Federative Republic of Brazil.

6.6 Jurisdiction. The parties choose the District Court of the city of Sao Paulo, State of Sao Paulo, Brazil, as the only one competent to settle any disputes or doubts arising from this private instrument, waiving all others, however privileged they may be.

6.7 Effective Date. If the Merger is approved, it will become effective as of April 30, 2021.



6.8 Digital signature. The parties agree that this document may be signed by hand, electronically, or both forms indistinctly, provided, however, that the electronic signature is affixed by the parties electronically via the DocuSign platform. The parties acknowledge and agree that when this Protocol is signed electronically via the DocuSign platform it produces the same legal effects as the one undersigned by hand, pursuant to Brazilian Law No. 13,874/2019 and Decree No. 10,278/2020.

In witness whereof, the Companies' administrators execute and sign this Protocol and Justification of Merger in one single counterpart, so that this document can be filed with the Board of Trade of the State of São Paulo (JUCESP), together with the 2 (two) undersigned witnesses.

Sao Paulo, March 12, 2021.

Management members of TOTVS S.A.

Gilsomar Maia Sebastião
Chief Administrative and Financial Officer, and
Investor Relations Officer

Marcelo Eduardo Sant'Anna Cosentino
Vice President of Business for Segments

Management members of Neolog Consultoria e Sistemas S.A.

Fabício de Assis Ramos Orrigo
Chief Executive Officer (CEO)

Evandro Nunes da Silva Junior
Chief Financial Officer

Witnesses:

1. _____

Name:
CPF [Tax ID] number:

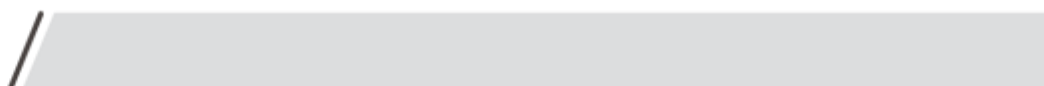
2. _____

Name:
CPF [Tax ID] number:



**PROTOCOL AND JUSTIFICATION OF MERGER
OF NEOLOG CONSULTORIA E SISTEMAS S.A. BY TOTVS S.A.**

**Exhibit A
Appraisal Report**



APPRAISAL REPORT
AP-00139/21-01

**NEOLOG CONSULTORIA E
SISTEMAS S.A.**

APPRAISAL REPORT:	AP-00139/21-01	VALUATION DATE:	January 31 st , 2021
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**APPRAISAL REPORT OF NEOLOG CONSULTORIA E SISTEMAS S.A.' NET EQUITY,
DETERMINED BY ACCOUNTING BOOKS**

APSIS CONSULTORIA E AVALIAÇÕES LTDA., limited simple society, established at Rua do Passeio, no. 62, 6th Floor, Centro, City and State of Rio de Janeiro, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under no. 08.681.365/0001-30, registered in the Regional Council of Accounting of the State of Rio de Janeiro under the no. 005112/O-9, represented by its undersigned partner, Mr. MIGUEL CÔRTEZ CARNEIRO MONTEIRO, economist, bearer of the National General Registry no. 25.647.900-7, issued by DETRAN/RJ, subscribed in the Individual Registration under the no. 105.918.297-11, resident and domiciled in the City and State of São Paulo, with head office localized at Avenida Angélica, no. 2.503, Set 102, Consolação, City and State of São Paulo, nominated by the TOTVS S.A., hereinafter denominated TOTVS, established at Avenida Braz Leme, no. 1.000, Casa Verde, City and State of São Paulo, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under the no. 53.113.791/0001-22, to proceed with the net equity's appraisal of the NEOLOG CONSULTORIA E SISTEMAS S.A., hereinafter denominated NEOLOG, established at Avenida Engenheiro Luiz Carlos Berrini, no. 1.681, 14th Floor, Set 142, Cidade Monções, City and State of São Paulo, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under the no. 05.254.381/0001-59, on January 31st, 2021, in accordance with the Brazilian accounting practices, features next the result of its work.

1. PURPOSE OF APPRAISAL

NEOLOG's accounting net equity appraisal on January 31st, 2021, for the purposes of its incorporation by TOTVS, in compliance with applicable laws and regulations.

2. MANAGEMENT'S RESPONSIBILITY ABOUT THE ACCOUNTING INFORMATION

The company's management is responsible for the bookkeeping and elaboration of the accounting information in accordance with Brazilian accounting practices, as well as for the relevant internal controls necessary to prepare the accounting information, without distortions, whether these distortions were caused by fraud or mistake. The summary of the main accounting practices adopted by NEOLOG is described in the Attachment 2 of this Appraisal Report.

3. SCOPE OF WORK AND ACCOUNTANT'S RESPONSIBILITY

It's our responsibility to present a conclusion on the net book value of NEOLOG on January 31st, 2021, in accordance with the Technical Communication CTG 2002, approved by the Federal Accounting Council (CFC), which provides the guidelines of work to issue Appraisal Reports.

Thus, we've examined the company's balance sheet in accordance with the applicable accounting standards and in compliance with ethical requirements. In addition, we have planned and executed the analysis in order to obtain reasonable assurance that the balance sheet is free from material misstatement.

The issuance of an Appraisal Report involves the execution of procedures to obtain evidence regarding the amounts accounted. This analysis depends on the accountant's judgment, including the assessment of the risks of significant distortion in shareholders' equity, regardless of whether it is caused by fraud or error. In such an analysis, the accountant considers the management controls pertinent to the company's balance sheet and the appropriate processes to the circumstances, but it doesn't have the objective of expressing an opinion on the effectiveness of such documents.

The work also covers the assessment of the adequacy of the accounting policies used and the reasonableness of the accounting estimates made by the management of NEOLOG. We believe that the evidence obtained is sufficient and adequate to support our conclusion.

4. CONCLUSION

Based on the work performed, we concluded that the value of **R\$ 2,498,709.35** (two million, four hundred and ninety-eight thousand, seven hundred and nine reais and thirty-five cents), as the January 31st, 2021 equity value, recorded in the accounting books and summarized in Attachment 1, represents, in all material respects, the net book value of **NEOLOG**.

5. EMPHASIS

We would like to call your attention to the note presented in Attachment 2 of this Appraisal Report, which describes the uncertainty regarding the quantitative and qualitative impacts arising from the recent COVID-19 pandemic. Our conclusion about **NEOLOG**'s book equity is not qualified due to this matter.

São Paulo, February 17th, 2021.

APSIS CONSULTORIA E AVALIAÇÕES LTDA.
CRC/RJ 005112/O-9

MIGUEL CÔRTEZ CARNEIRO MONTEIRO
Director

EVELYNE FERRARI
Projects (CRC/SP-313879/O-3)

6. LIST OF ATTACHMENTS

1. SUPPORT DOCUMENTATION
2. SUMMARY OF THE MAIN ACCOUNTING PRACTICES ADOPTED BY NEOLOG
3. GLOSSARY

RIO DE JANEIRO - RJ
Rua do Passeio, nº 62, 6º Andar
Centro, CEP 20021-280
Tel.: + 55 (21) 2212-6850 Fax: + 55 (21) 2212-6851

SÃO PAULO - SP
Av. Angélica, nº 2.503, Conj. 101
Consolação, CEP 01227-200
Tel.: + 55 (11) 4550-2701

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ATTACHMENT 1

Neolog Consultoria e Sistemas S.A.

Statements of financial position as at January 31, 2021 and December 31, 2020 (in thousands of reais)

	2.021	2.020
Assets		
Current assets	5.237	4.979
Cash and cash equivalents	1.462	1.246
Escrow account	-	-
Trade receivables	3.688	3.692
Reserve for bad debt	(45)	(67)
Inventories	-	-
Recoverable taxes	13	53
Other assets	119	55
Noncurrent assets	587	592
Escrow account	-	-
Trade receivables	-	-
Loan-loss provision	-	-
Recoverable taxes	-	-
Receivables from related parties	-	-
Deferred tax assets	-	-
Judicial deposits	-	-
Other assets	60	60
Investments	-	-
Property, plant and equipment	245	254
Intangible assets	31	6
Right-of-Use Asset	251	272
Total assets	5.824	5.571

Liabilities and equity

Current liabilities	3.025	2.915
Accounts payable	1.222	1.197
Share-based payments expense	212	147
Losses on disposal of fixed assets and investments	311	300
Allowance for expected credit losses	19	12
Equity pickup	258	257
Provision for contingencies, net of reversals	-	-
Reversals of provision net of additional provisions on other obligations and others	1.003	1.002
Noncurrent liabilities	300	311
Loans, financing and lease liabilities, debentures	-	22
Accounts payable from acquisition of subsidiaries	-	-
Provision for contingence	-	-
Accounts payable from acquisition of subsidiaries	300	289
Other liabilities	-	-
Shareholders' equity	2.499	2.345
Capital	660	660
Treasury shares	-	-
Capital reserves	-	-
Other comprehensive income	-	-
Reserve	1.839	1.685
Total Shareholders' equity and liabilities	5.824	5.571

Statements of cash flows January 31, 2021 and for the year ended December 31, 2020

Cash flow from operating activities	209	548
Profit before tax from continuing operations		
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	30	460
Share-based payments expense	-	-
Losses on disposal of fixed assets and investments	(21)	(60)
Allowance for expected credit losses	-	42
Equity pickup	-	-
Provision for contingencies, net of reversals	-	-
Reversals of provision net of additional provisions on other obligations and others	-	-
Interest and monetary variations and exchange variations differences, net	1	6
Changes in operating assets and liabilities:	5	(851)
Trade receivables	-	-
Inventories	(64)	59
Other assets	-	-
Judicial deposits	25	164
Labor liabilities	40	(51)
Recoverable taxes	65	(38)
Trade and other payables	7	12
Commissions payable	(34)	121
Taxes and contributions payable	-	(2)
Other liabilities	-	-
Cash flow provided by operations	263	410
Interest paid	(1)	(6)
Income tax and social contributions paid	-	(261)
Net cash from operating activities	262	143

Statements of profit or loss - January 31, 2021 and for the year ended December 31, 2020

	2.021	2.020
Software revenue	907	9.220
Cost of software	(238)	(2.873)
Gross profit	670	6.347
Operating income (expenses)		
Research and development expenses	(366)	(3.973)
Selling and marketing expenses	(0)	(535)
General and administrative expenses	(88)	(932)
Depreciation and amortization	(30)	(460)
Provision for expected credit losses	21	(43)
Other operating income (expenses)	-	60
Operating profit	207	464
Finance income	3	161
Finance expenses	(1)	(77)
Equity pickup	-	-
Profit before tax from continuing operations	209	548
Income tax and social contribution - current	(45)	-
Income tax and social contribution - deferred	(11)	(191)
Profit for the year	153	357

Statements of changes in shareholder's equity - January 31, 2021 and for the year ended December 31, 2020

	Capital Reserve	Legal Reserve	Profit Reserve	Treasury shares	Other comprehensive income	Total Shareholders' Equity
As at January 1, 2020	660	-	132	2.196	-	2.988
Issuance of share capital, net of issuance costs	-	-	-	-	-	-
Profit for the year	-	-	357	-	-	357
Dividends	-	-	(1.000)	-	-	(1.000)
Share-based compensation plan	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Cumulative adjustment for currency exchange	-	-	-	-	-	-
Effect of adoption of IFRS 16 Leases	-	-	-	-	-	-
Appropriation of retained earnings	-	-	-	-	-	-
As at December 31, 2020	660	-	132	1.553	-	2.345
Issuance of share capital, net of issuance costs	-	-	-	-	-	-
Profit for the year	-	-	153	-	-	153
Dividends	-	-	-	1	-	1
Share-based compensation plan	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Appropriation of retained earnings	-	-	8	(8)	-	-
Cumulative adjustment for currency exchange	-	-	-	-	-	-
As at January 31, 2021	660	-	140	1.699	-	2.499

Notes to the financial statements: 1) Operational context: Neolog Consultoria e Sistemas SA is a privately held corporation, headquartered at Luis Carlos Berrini Avenue, nº 1681, set nº 82, in the city of São Paulo, state of São Paulo. The Company is engaged in the development and licensing of computer programs. 2) Basis of preparation and summary of the main accounting policies: The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPCs). The financial statements have been prepared using historical cost as the basis for value. The preparation of financial statements requires the use of certain critical accounting estimates and, more than that, it requires an exercise of judgment by the Company's management. The main estimates are: (i) Allowance for loan losses; (ii) Reasonable value of tangible and intangible assets; and (iii) Deferred taxes.

Fabício de Assis Ramos Orrico
Executive Director
Carlos Alberto Vieira
Accountant CRC 1SP206556/O-0

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ATTACHMENT 2

ABSTRACT OF THE PRINCIPAL ACCOUNTING PRACTICES ADOPTED BY NEOLOG

▪ Cash and cash equivalents

Cash and cash equivalents are maintained to meet the company's short-term cash commitments and strategic investments, although they can still be used for other purposes.

▪ Accounts receivable

Accounts receivable are initially recognized at the transaction value and are subsequently measured at amortized cost using the effective interest rate method less the allowance for doubtful accounts. A provision for doubtful debts is set up when there is objective evidence that the company will not receive all amounts due in accordance with the original conditions of accounts receivable.

▪ Social and labor obligations

The balances of social and labor obligations are composed of profit sharing; payroll loans by financial institution; union contribution; holiday provision; provision of thirteenth salary; transient wages; provision of benefits; INSS to be paid; and FGTS to be collected.

▪ Obligations to shareholders

Refers to dividends paid to TOTVS, NEOLOG's sole shareholder.

▪ Deferred taxes

Deferred taxes are recognized to the extent that it is probable that future taxable profit will be available to be used to offset temporary differences and / or tax losses, based on projections of results prepared and based on internal assumptions and future economic scenarios, which therefore, they can change.

Current income tax and social contribution are shown net in liabilities (when there are amounts to be paid) or net in assets (when the amounts paid in advance exceed the total due on the date of the report). Deferred taxes are presented at net value.

EFFECTS OF COVID-19 ON ACCOUNTING INFORMATION

On the date of emission of this Report, NEOLOG does not foresee any risks to the continuity of its operations, nor to the main judgments and accounting estimates. However, the company has already reflected the economic and financial implications of the COVID-19 pandemic in the accounting items of January 31st, 2021.

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ATTACHMENT 3

Glossary

A

Amortization

Systematic allocation of the depreciable value of an asset over its useful life.

Asset

A resource controlled by the entity as a result of past events from which future economic benefits are expected for the entity.

Asset Approach

Valuation of companies where all assets (including those not accounted for) have their values adjusted to the market. Also known as market net equity.

B

Base Date

Specific date (day, month and year) of application of the assessment value.

Basic Infrastructure

Urban rainwater drainage equipment, street lighting, sewage system, drinking water, public and home electricity supply and access routes.

Book Value

The value at which an asset or liability is recognized on the balance sheet.

Business Combination

Union of separate entities or businesses producing financial statements of a single reporting entity. Transaction or other event by which an acquirer obtains control of one or more businesses, regardless of the legal form of operation.

C

CAPEX (Capital Expenditure)

Fixed asset investments.

Capital Structure

Composition of a company's invested capital, between own capital (equity) and third-party capital (debt).

Cash Flow

Cash generated by an asset, group of assets or business during a given period of time. Usually the term is supplemented by a qualification referring to the context (operating, nonoperating, etc...).

Cash Flow on Invested Capital

Cash flow generated by the company to be reverted to lenders (interest and amortizations) and shareholders (dividends) after consideration of cost and operating expenses and capital investments.

Cash-Generating Unit

Smallest identifiable group of assets generating cash inflows that are largely independent on inputs generated by other assets or groups of assets.

Company

Commercial or industrial entity, service provider or investment entity holding economic activities.

Conservation Status

Physical status of an asset as a result of its maintenance.

Control

Power to direct the strategic policy and administrative management of a company.

Cost

The total direct and indirect costs necessary for production, maintenance or acquisition of an asset at a particular time and situation.

Cost of Capital

Expected rate of return required by the market as an attraction to certain investment funds.

CFC

Conselho Federal de Contabilidade

CPC (Comitê de Pronunciamentos Contábeis)

Accounting Pronouncements Committee.

CVM

Securities and Exchange Commission.

D

Date of Issue

Closing date of the valuation report, when conclusions are conveyed to the client.

DCF (Discounted Cash Flow)

Discounted cash flow.

D & A

Depreciation and amortization.

Depreciable Value

Cost of the asset, or other amount that substitutes such cost (financial statements), less its residual value.

Depreciation

Systematic allocation of the depreciable value of an asset during its useful life.

Direct Production Cost

Spending on inputs, including labor, in the production of goods.

Discount Rate

Any divisor used to convert a flow of future economic benefits into present value.

E

EBIT (Earnings before Interest and Taxes)

Earnings before interest and taxes.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

Earnings before interest, taxes, depreciation and amortization.

Economic Benefits

Benefits such as revenue, net profit, net cash flow, etc.

Enterprise

Set of properties capable of producing revenue through marketing or economic exploitation. It can be: real estate (e.g. subdivision, commercial / residential buildings), real-estate based (e.g., hotel, shopping mall, theme parks), industrial or rural.

Enterprise Value

Economic value of the company.

Equity Value

Economic value of the equity.

Expertise

Technical activity performed by a professional with specific expertise to investigate and clarify facts, check the status of property, investigate the causes that motivated a particular event, appraise assets, their costs, results or rights.

F

Facilities

Set of materials, systems, networks, equipment and operational support services for a single machine, production line or plant, according to the degree of aggregation.

Fair Market Value

Value at which an asset could have its ownership exchanged between a potential seller and a potential buyer, when both parties have reasonable knowledge of relevant facts and neither is under pressure to do so.

Financial Lease

That which substantially transfers all the risks and benefits related to the ownership of the asset, which may or may not eventually be transferred. Leases that are not financial leases are classified as operating leases.

Fixed Asset

Tangible asset available for use in the production or supply of goods or services, in third-party leasing, investments, or for management purposes, expected to be used for more than one accounting period.

G

Goodwill

See Premium for Expected Future Profitability.

I

IAS (International Accounting Standards)

Principles-based standards, interpretations and the framework adopted by the International Accounting Standards Board (IASB). See International Accounting Standards.

IASB (International Accounting Standards Board)

International Accounting Standards Board. Standard setting body responsible for the development of International Financial Reporting Standards (IFRSs).

IFRS (International Financial Reporting Standards)

International Financial Reporting Standards, a set of international accounting pronouncements published and reviewed by the IASB.

Impairment

See Impairment losses

Impairment Losses (impairment)

Book value of the asset that exceeds, in the case of stocks, its selling price less the cost to complete it and expense of selling it; or, in the case of other assets, their fair value less expenditure for sale.

Income Approach

Valuation method for converting the present value of expected economic benefits.

Indirect Production Cost

Administrative and financial costs, benefits and other liens and charges necessary for the production of goods.

Intangible Asset

Identifiable non-monetary asset without physical substance. This asset is identifiable when: a) it is separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, leased or exchanged, either alone or together with the related contract, asset or liability; b) it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

International Accounting Standards (IAS)

Standards and interpretations adopted by the IASB. They include: International Financial Reporting Standards (IFRS) International Accounting Standards (IAS) and interpretations developed by the Interpretation Committee on International Financial Reporting Standards (IFRIC) or by the former Standing Interpretations Committee (SIC).

Investment Property

Property (land, building or building part, or both) held by the owner or lessee under the lease, both to receive payment of rent and for capital appreciation or both, other than for use in the production or supply of goods or services, as well as for administrative purposes.

Investment Value

Value for a particular investor based on individual interests in the property in question. In the case of business valuation, this value can be analyzed by different situations, such as the synergy with other companies of an investor, risk perceptions, future performance and tax planning.

L

Liability

Present obligation that arises from past events, whereby it is hoped that the settlement thereof will result in the inflow of funds from the entity embodying economic benefits.

Liquidity

Ability to rapidly convert certain assets into cash or into the payment of a certain debt.

M

Market Approach

Valuation method in which multiple comparisons derived from the sales price of similar assets are adopted.

Multiple

Market value of a company, share or invested capital, divided by a valuation measurement of the company (EBITDA, income, customer volume, etc...).

N

Net Debt

Cash and cash equivalents, net position in derivatives, short-term and long-term financial debts, dividends receivable and payable, receivables and payables related to debentures, short-term and long-term deficits with pension funds, provisions, and other credits and obligations to related parties, including subscription bonus.

Non-Operating Assets

Those not directly related to the company's operations (may or may not generate revenue) and that can be disposed of without detriment to its business.

O

Operating Assets

Assets that are basic to the company's operations.

Operating Lease

That which does not substantially transfer all the risks and benefits incidental to the ownership of the asset. Leases that are not operating leases are classified as financial leases.

P

Parent Company

An entity that has one or more subsidiaries.

Premium for Expected Future Profitability (goodwill)

Future economic benefits arising from assets not capable of being individually identified or separately recognized.

Present Value

The estimated present value of discounted net cash flows in the normal course of business.

Price

The amount by which a transaction is performed involving a property, a product or the right thereto.

Property

Something of value, subject to use, or that may be the object of a right, which integrates an equity.

R

Real Estate

Property, consisting of land and any improvements incorporated thereto. Can be classified as urban or rural, depending on its location, use or to its highest and best use.

Recoverable Value

The highest fair value of an asset (or cashgenerating unit) minus the cost of sales compared with its value in use.

Remaining Life

A property's remaining life.

Replacement Cost

A property's reproduction cost less depreciation, with the same function and features comparable to the property assessed.

Replacement Value for New

Value based on what the property would cost (usually in relation to current market prices) to be replaced with or substituted by a new, equal or similar property.

Reproduction Cost

Expense required for the exact duplication of a property, regardless of any depreciation.

Reproduction Cost Less Depreciation

A property's reproduction cost less depreciation, considering the state it is in.

Residual Value

Value of new or used asset projected for a date limited to that in which it becomes scrap, considering its being in operation during the period.

Residual Value of an Asset

Estimated value that the entity would obtain at present with the sale of the asset, after deducting the estimated costs thereof, if the asset were already at the expected age and condition at the end of its useful life.

S

Shareholders' Equity at Market Prices

See Assets Approach.

Subsidiary

Entity, including that with no legal character, such as an association, controlled by another entity (known as the parent company).

Supporting Documentation

Documentation raised and provided by the client on which the report premises are based.

T

Tangible Asset

Physically existing asset, such as land, building, machinery, equipment, furniture and tools.

Technical Report

Detailed report or technical clarification issued by a legally qualified and trained professional on a specific subject.

U

Useful Economic Life

The period in which an asset is expected to be available for use, or the number of production or similar units expected to be obtained from the asset by the entity.

V

Valuation

Act or process of determining the value of an asset.

Valuation Methodology

One or more approaches used in developing evaluative calculations for the indication of the value of an asset.



EXHIBIT XI

INFORMATION REQUIRED UNDER APPENDIX 20-A TO CVM INSTRUCTION NO. 481/09

MERGER OF NEOLOG CONSULTORIA E SISTEMAS S.A.

Appendix prepared in compliance with article 20-A of CVM Instruction No. 481/09, in connection with the Company's proposed merger of Neolog Consultoria e Sistemas S.A. to be submitted to shareholders for approval at a special meeting to be held on April 20, 2021.

1. Protocol and Justification of the Transaction, pursuant to articles 224 and 225 of Act No. 6,404/1976.

The Protocol and Justification of the Merger of Neolog Consultoria e Sistemas S.A. ("Neolog"), which sets the conditions for the Company's merger of Neolog ("Merger" or "Transaction"), is available as Appendix IX to this Management Proposal to be submitted to shareholders at a special meeting scheduled for April 20, 2021. ("Meeting").

2. Other agreements, contracts and draft contracts regulating the exercise of voting rights or the transfer of shares issued by the remaining companies or by the companies resulting from the transactions and filed at the company's head office, or to which the company's controlling shareholder is a party

Not applicable.

3. Description of the transaction, including:

a. Terms and conditions

The purpose of the merger is to streamline corporate structure so as to reduce the need for intercompany transactions.

Given that 100% of Neolog's share capital is owned by TOTVS, and minority shareholders do not exist, the Merger will not increase TOTVS's share capital or cause the issue of new shares, and for that reason no exchange ratio is applicable.

b. Indemnity obligations:

i. The managers of any of the companies involved in the transaction:

Not applicable.



ii. If the transaction is not conducted:

Not applicable.

c. Table comparing the rights and privileges conferred and the restrictions imposed by the shares of the companies involved in or resulting from the transaction, before and after the transaction.

Not applicable, given that Neolog shares will not be replaced. The shares issued by Neolog will be cancelled as a result of the company's dissolution, while the rights and privileges conferred by TOTVS shares, already in effect, will remain unchanged.

d. Possible need for approval by debenture holders or other creditors.

Not applicable.

e. Assets and liabilities that will make up each equity portion if there is a spin-off.

Not applicable.

f. Intention of the companies resulting from the transaction to be registered with regulatory authorities as issuers of securities

Not applicable. Neolog will be dissolved and TOTVS will keep its registration as a public company.

4. Plans for doing corporate business, particularly specific corporate events that are intended to be held

Neolog's business activities will be carried out directly by TOTVS, which will succeed to all Neolog's property, rights and obligations. However, there are no specific plans originating from the Merger proposed herein to be reported. As described in item three above, any changes in Neolog's equity after the reporting date will be absorbed by TOTVS and recognized directly in its financial statements, which already include Neolog's accounts recorded on the equity method. Once the Merger is performed, TOTVS's Management will take the measures required to terminate Neolog's registration with competent bodies.

5. Analysis of the following aspects of the transaction:

a. Description of the main benefits expected from the transaction, including: (i) synergies; (ii) tax benefits; and (iii) strategic advantages.

The Companies' management teams believe that the Merger serves their corporate interests, because the merger of the Companies' activities and management will bring administrative, economic and financial benefits to the operations and business of both of them, which include: (i) streamlining their corporate structure and therefore consolidating and reducing the combined operating costs and expenses; and (ii)



allowing a better management of the Companies' operations, assets and cash flows through the combination of their business resources and equity.

Moreover, under current tax legislation, the Merger will allow the recognition by TOTVS of goodwill in the amount of twenty-five million seven hundred and sixty thousand three hundred and eighty-three Brazilian reais and thirty-six cents (R\$25,760,383.36) resulting from the acquisition made on February 11, 2015. In order to have such tax benefit, TOTVS does not have to issue new shares and therefore all its shareholders will benefit from the Merger.

b. Costs.

The Company estimates merger costs at approximately thirty-five thousand two hundred Brazilian reais (R\$35,200.00). This amount comprises the costs incurred with the preparation of reports and opinions, as well as publication, registration and banking costs and waivers.

c. Risk factors.

Given that TOTVS is the owner of 100% of Neolog's share capital, TOTVS's Management considers that the Merger does not increase TOTVS's or Neolog's exposure to risk, and does not increase the risk posed to shareholders, investors and stakeholders, either.

d. If it is a related party transaction, possible alternatives that could have been used to fulfill the same purposes, and the reason why these alternatives were put aside.

Given that the Company and Neolog belong to the same business group, that the Company is the owner of 100% of Neolog's share capital, that one of the purposes of the merger is to dissolve Neolog, to streamline the companies' corporate structure, and therefore to consolidate and reduce their combined operating costs and expenses, to make a better use of the companies' resources, to generate administrative and economic benefits without affecting corporate business, Management believes that there are no structural alternatives to reach the same intended results.

e. Exchange ratio.

Given that Neolog is a wholly-owned subsidiary of the Company, that Neolog does not have any minority shareholders and therefore the exchange ratio is not applicable, reporting under the rules of article 264 of Brazilian Corporate Law is not required, according to a decision by the panel of the Brazilian Securities and Exchange Commission (CVM) made on February 15, 2018 under the administrative proceeding conducted by CVM and registered in the Electronic Information System under No. 19957.011351/2017-21 (registration No. 0947/18). The reason for the panel's decision to exempt Neolog from preparing the report is that the applicability of the exchange ratio is a key condition set forth by that article for the report to be mandatory.

f. In transactions involving parent companies, subsidiaries or jointly-controlled companies.



i. Exchange ratio of shares calculated as per article 264 of Act No. 6,404/1976.

Not applicable.

ii. Detailed description of the negotiation of the exchange ratio and other terms and conditions of the transaction.

Not applicable.

iii. If an acquisition of a controlling interest or an acquisition of a share of a controlling interest occurred in the twelve (12) months prior to the transaction: (a) comparative analysis of the exchange ratio and of the price paid for the controlling interest; and (b) the reasons for possible valuation differences reported for the transactions.

Not applicable

iv. Reason why the exchange ratio is commutative, and a description of the procedures followed and the criteria applied to ensure that the transaction is commutative or, if the exchange ratio is not commutative, a breakdown of the payments made or a description of the equivalent measures taken to ensure proper compensation.

Not applicable.

6. Copies of the minutes of the meetings held by the board of directors, the audit committee and special committees where the transaction was discussed, including possible dissenting votes.

The minutes of the meeting held on March 12, 2021 by the board of directors, which approved the Merger, are available at the Company's head office and posted on the Investor Relations pages of TOTVS website at www.ri.totvs.com, on CVM website at www.gov.br/cvm and on B3 website at www.b3.com.br.

7. Copies of studies, presentations, reports, opinions or appraisal reports of the companies involved in the transaction and provided to the controlling shareholder at any stage of the transaction.

The "Appraisal of the Shareholders' Equity of Neolog Consultoria e Sistemas S.A. based on its accounting records", made by Apsis Consultoria e Avaliações Ltda., a limited liability company located in the city of Rio de Janeiro, state of Rio de Janeiro, at Rua do Passeio, nº 62, 6º andar, Centro, CEP 20.021-290, enrolled with the Corporate Register of Legal Entities under CNPJ/ME No. 08.681.365/0001-30 and with the Regional Association of Accountants of the state of Rio de Janeiro under No. 005112/O-9, is an integral part of this Proposal as **APPENDIX XIII**.



According to that appraisal, Neolog's shareholders' equity totals at least two million four hundred and ninety-eight thousand seven hundred and nine Brazilian reais and thirty-five cents (R\$ 2,498,709.35) at the reporting date. This amount has already been recognized in TOTVS's shareholders' equity under the equity method of accounting.

7.1. Disclosure of any conflicts of interest between the financial institutions, companies and professionals who prepared the documents mentioned in item seven and the companies involved in the transaction.

Not applicable.

8. Drafts of bylaws or changes in the bylaws of the companies involved in the transaction.

Not applicable.

9. Financial statements used for the transaction, according to the applicable specific accounting standard.

Not applicable.

10. Pro forma financial statements used for the transaction, according to the applicable accounting standard.

Not applicable.

11. Document including information about the companies directly involved in the transaction other than public companies, comprising:

a. Risk factors, pursuant to items 4.1 and 4.2 of the reference form.

Neolog is a wholly-owned subsidiary of TOTVS. Therefore, the information required under this item is already included in TOTVS's Reference Form.

b. Description of the main changes in risk factors reported in the previous fiscal year and the expected reduction or increase in risk exposure resulting from the transaction, pursuant to item 5.4 of the reference form.

Not applicable, because the merger of Neolog does not change any risk factor described in item 5.4 of TOTVS reference form.

c. Description of the company's activities, pursuant to items 7.1, 7.2, 7.3 and 7.4 of the reference form.

Neolog is a software development company that markets SaaS solutions and provides implementation, customization and support services. Its main product is a logistics optimization



solution that reduces client freight costs by applying algorithms to map out routes and load cargo onto trucks in an optimized manner. The company has been serving major clients for fifteen years. They are among Brazil's largest companies, and operate in a broad range of business segments. The company offers its clients logistics optimization solutions to cut costs and to better adapt logistics resources to their needs.

d. Description of the business group, pursuant to item 15 of the reference form.

TOTVS and Neolog belong to the same business group, and TOTVS owns 100% of Neolog's share capital. For that reason, information about the business group is already included in TOTVS Reference Form.

e. Description of share capital, pursuant to item 17.1 of the reference form.

As described above, Neolog's share capital, fully subscribed and paid-in, is six hundred and sixty thousand Brazilian reais (R\$660,000.00), divided into six hundred and sixty thousand (660,000) shares, with a par value of one Brazilian real (R\$1.00) each, all held by TOTVS.

TOTVS is a public company whose shares are traded at B3 S.A. – Brasil, Bolsa, Balcão, and whose share capital, fully subscribed and paid-in, is one billion three hundred and eighty-two million five hundred and eight thousand five hundred and sixty-four Brazilian reais and forty-three cents (R\$1,382,508,564.43), divided into five hundred and seventy-seven million nine hundred and thirteen thousand one hundred and eighty-one (577,913,181) common shares, all registered and book-entry shares without par value.

As described above, the Merger will lead to the dissolution of Neolog. No new shares will be issued by TOTVS, whose share capital will remain unchanged.

12. Description of the shareholding structure after the transaction, pursuant to item 15 of the reference form.

Not applicable. This Merger will not change TOTVS's shareholding or corporate structure.

13. Number, class and type of securities of each company involved in the transaction held by any other companies involved in the transaction, or by people related to these companies, as defined by the standards on public offering of shares

Not applicable.

14. Exposure of any of the companies involved in the transaction, or of people related to them, as defined by the standards on public offering of shares, to derivatives linked to securities issued by the other companies involved in the transaction.

Not applicable.



- 15. Report covering all business transactions conducted over the past six (6) months by the people listed below with securities issued by the companies involved in the transaction: (a) companies involved in the transaction: (i) private purchases: average price; number of shares; security; percentage in relation to the class and type of security; other relevant conditions; (ii) private sales: average price; number of shares; security; percentage in relation to the class and type of security; other relevant conditions; (iii) purchases in regulated markets: average price; number of shares; security; percentage in relation to the class and type of security; other relevant conditions; (iii) sales in regulated markets: average price; number of shares; security; percentage in relation to the class and type of security; other relevant conditions; and (b) parties related to the companies involved in the transaction: (i) private purchases: average price; number of shares; security; percentage in relation to the class and type of security; other relevant conditions; (ii) private sales: average price; number of shares; security; percentage in relation to the class and type of security; other relevant conditions; (iii) purchases in regulated markets: average price; number of shares; security; percentage in relation to the class and type of security; other relevant conditions; (iv) sales in regulated markets: average price; number of shares; security; percentage in relation to the class and type of security; other relevant conditions.**

Any transactions conducted by TOTVS have already been duly disclosed and are available to the public on the Investor Relations pages of TOTVS website at www.ri.totvs.com, on CVM website at www.gov.br/cvm and on B3 website at www.b3.com.br, pursuant to article 11 of CVM Instruction No. 358/02 and New Market Regulations. There are no transactions to be reported specifically for Neolog.

- 16. Document used by the Special Independent Committee to submit its recommendations to the Board of Directors, if the transaction has been conducted pursuant to Guideline Report No. 35 issued by CVM in 2008.**

Not applicable.



EXHIBIT XII

SPECIALIZED COMPANY (PURSUANT TO ARTICLE 21 OF CVM INSTRUCTION 481/09)

INFORMATION ON THE APPRAISERS

1. Please inform the appraisers recommended by the management.

Apsis Consultoria e Avaliação Ltda., headquartered at Rua do Passeio, 62, 6th floor - Rio de Janeiro, RJ, Brazil, enrolled with the Corporate Taxpayers' Roll (CNPJ/ME) under No. 08.681.365/0001-30 ("Apsis").

2. Please describe the technical skills of the recommended appraisers.

For more than 40 years, Apsis has been standing out in the market as an independent consultancy specialized in appraisals, generating value for its clients. Apsis' credibility and impartiality mean that its deliveries are chosen as a reference for decision-making by large companies. Apsis has extensive experience in conducting appraisal procedures for companies and in preparing appraisal and exchange ratio reports, working for large domestic and international companies, and has already issued more than 20,000 (twenty thousand) reports in areas such as energy, agribusiness, food and beverages, technology, infrastructure, telecom, among others.

3. Please provide a copy of the proposed work and remuneration of the recommended appraisers.

Refer to the proposal contained in Exhibit XII.1.

4. Please describe any relevant relationship in the past three (3) years between the recommended appraisers and parties related to the Company, as defined by the accounting standards that address this matter.

Not applicable.



EXHIBIT XII.1.

**SERVICE OFFER BY THE SPECIALIZED COMPANY
(PURSUANT TO ARTICLE 21 OF CVM INSTRUCTION 481/09)**



BUSINESS PROPOSAL

AP-00139/21a

Company: TOTVS S.A
C/O: Mrs. Talita Callejão

Business Contact:
Evelyne Ferrari
evelyne.ferrari@apsis.com.br

SINCE 1978, CREATING VALUE

Apsis has stood out in the market as an independent consultancy firm specialized in appraisals and value generation for its clients.

Apsis' credibility and impartiality has made its results to be regarded as a reference for decision-making at major companies.

OUR SOLUTIONS



CERTIFICATES



OUR NUMBERS

- More than **20,000** reports issued
- More than **R\$ 23 million** in assets inventoried and reconciled in the last 3 years
- **2,000 clients**, 80% of which comprising major corporations
- More than **R\$ 65 billion** in real estate properties appraised
- More than **R\$ 600 billion** in assets appraised in the last 3 years
- More than **500 reports** registered with the CVM
- Apsis issued, in the last 2 years, 100 reports for premium allocation, identifying an amount of over **R\$ 21 billion**
- **Financial, accounting and tax consulting** on acquisition and fundraising process for public and private companies
- **Diagnosis** for adoption of accounting pronouncements for companies of various segments

ACKNOWLEDGMENTS

We appreciate the confidence in our work. We're committed to a high standard and a prompt and customized service. Our experience in many different industries helps us to clearly identify the needs of your company and propose efficient solutions that suit your business. We hope that your acceptance results on a fruitful partnership.

Proposal AP-00268/21

February 10, 2021

TOTVS S.A

Avenida Braz Leme, 1.000, Casa Verde
São Paulo - SP

C/O: Talita Callejão

Dear Mrs.

We are pleased to present our proposal to the requested services, and will be your disposal in case of any questions or considerations.

Business Contact:

Evelyne Ferrari
evelyne.ferrari@apsis.com.br

1. PROJECT SCOPE

1.1. Understanding the situation

According to the understandings maintained, TOTVS will carry out a corporate reorganization and contacted APSIS to prepare the necessary report.

1.2. Project description

Under the terms and for the purposes of articles 226 and 227 and paragraphs of Law no. 6,404/76, determine Neolog's accounting net equity, for the purpose of incorporation by Totvs, in accordance with the applicable laws and regulations.

1.3. Required documentation

- Analytical balance sheet on the base date
- Analytical balance sheet on dezembro, 2018 and on dezembro, 2019
- Management Representation Letter
- Audited Financial Statements, individual or consolidated or of the group
- Last Contract Change
- Statement of financial applications
- Accounts receivable aging list
- Calculation rationale Allowance for loan losses
- Lease contracts and lease flow as per CPC 06 R2
- Internal controls over tax obligations
- Internal controls on social and labor obligations

- Minute of dividend distribution and dividend calculation memory payable
- Impairment test or projected cash flow of the Company

If the documentation or the required information for conducting the proposed work is not provided by the client, and its acquisition or preparation results in additional working hours for APSIS, the additional hours will be ascertained and charged according to the current schedule of man/hour costs. The same charges will occur when documentation or information is substituted after the start of the project.

Any work not described in the present scope, directly or indirectly related to the proposal described, which is to be performed by APSIS as requested by the client, will be charged as additional working hours for APSIS' team. If requested, it can be the object of a new proposal. The hours in question will be ascertained and charged according to the current schedule of man/hour costs.

The scope of the proposal does not include hours for clarifications to the auditors. If necessary, additional hours will be charged according to the current schedule of man/hour costs.

2. METHODOLOGY

Although there are considerable differences between valuation methodologies, all of them derive from one common principle: replacement, which states that no investor would pay more for something if he can pay less for another equivalent and corresponding good.

Below is a summary of valuation methodologies.

- **Market Approach** - Aims to compare the company under analysis with other recently sold or for-sale companies in the market (multiples or market prices).
- **Asset Approach** - Analyzes the accounting records and value the book value of equity or the market value of equity. For the market value of equity, the necessary adjustments are made to the assets and liabilities registered in the balance sheet (difference between book value and market value).
- **Income approach** - Also known as discounted cash flow. In this approach, the market value of the company is equal to the sum of all the future monetary cash flows that it can offer to its shareholders (with projected future values being converted to present value by an appropriate discount rate).

The table below summarizes the aforementioned methodologies and shows its indications, difficulties and advantages. APSIS will determine the most appropriate methodology for each project.

APPROACH	MARKET	MARKET	ASSETS	INCOME
METHOD	Multiples	Stock Price	Market Value of Shareholder's Equity	Discounted Cash Flow
INDICATIONS	Multiples of the Companies Peers are available	Companies stocks are publicly traded	Companies with large capital	Companies that generate cash flow
	Significant market of comparable companies	Significant market of comparable companies	Companies that don't generate significant value from operations	Companies risks can be measured (discount rate)
ADVANTAGES	Analyzes how investors and other players are pricing the market	Considers market trends and the projected future results	Valuations based on the historical results of companies	Flexibility to measure opportunities, competitive advantages, growth and business profile
	Transaction values include control and liquidity premiums	Data available to the market	Conservative valuation method	Reflects the expected return considering risk (sector, company and country)
DIFFICULTIES	Separating the control and/or liquidity premiums from the transaction value	Similar companies may present different perspectives	When financial statements aren't audited	Macro and microeconomic changes affect projected scenarios
	Limited sample (few comparable companies)	Emerging markets tend to be more affected by short term macroeconomic variables	Economic possibilities and trends are not considered	Sensitivity to the capital structure and discount rate

3. PRESENTATION OF THE REPORT

The final report will be presented in digital format, that is, in Portable Document Format (PDF) with a digital certificate¹ and will be available to the client in an exclusive platform at our extranet for a period of 90 (ninety) days.

If requested by the client, APSIS will make an original printed version of the document available, with no extra cost, within 5 (five) business days.

4. DEADLINE

4.1. APSIS will present a draft of the report(s) within **5 (five)** business days. This estimate assumes that the contractor and all involved parties will provide all necessary information for the work to be performed.

4.2. Upon receiving a draft of the report, the client will have 20 (twenty) days to request clarifications and/or approve the draft for publication of the final report. After that period, APSIS can consider the work to be complete, at which time it will be authorized to send the final invoice, regardless of the issuance of the final report. After the draft is approved, APSIS will have a period of 5 (five) business days to issue the final report.

4.3. Services will begin with the express approval of this proposal, submission of the down payment and receipt of all documents requested by APSIS.

4.4. Any alterations requested after the delivery of the digital report will be subject to a new quotation.

¹ Digital certificate: identification technology that allows various types of electronic transactions considering the integrity, authenticity and confidentiality of data, in a way that avoids alterations, captures of private information or other types of unwanted actions.

5. FEES

5.1. Professional fees for the services rendered, considering all taxes (as well as duties, emoluments, fiscal and para-fiscal contributions), will be **R\$15,000.00 (fifteen thousand reais)**, to be paid in the following manner:

- 50,00% (fifty percent) of the total value, upon accepting the present proposal
- 50,00% (fifty percent) of the total value, upon delivery of the draft

5.2. For each step mentioned above, the expiration date of the corresponding invoice will be 5 (five) days counting from the occurrence of each event that led to the charge. After expiration, a rate of 1% (one percent) per month will be charged on the net value of the invoice, plus a 2% (two percent) penalty on the invoice for breach of contract.

5.3. Activities that go beyond the scope determined in this proposal will be informed to the client and charged through an activities report (issued by APSIS) containing a description of the activities and timesheet.

6. VALIDITY OF PROPOSAL

The present proposal is valid for 30 (thirty) days, counting from the date in which it was sent.

7. CONFIDENTIALITY

APSYS takes responsibility for maintaining absolute secrecy with respect to confidential information that it comes in contact with while rendering services. For the purposes of this proposal, all information will be considered confidential including any information APSIS might access while providing its services, either directly or indirectly.

Confidential information includes all types of oral, written, recorded and computerized disclosures or any other form disclosure made by the client or obtained in observations, interviews or analysis, including, appropriately and without limitations, all compositions, machinery, equipment, receipts, reports, outlines, use of patents and documents, as well as all data, compilations, specifications, strategies, projections, processes, procedures, techniques, models and all tangible and intangible manifestations of any nature.

APSYS, its consultants and employees have no interest, directly or indirectly, in the company(ies) involved or in the transaction described in this proposal.

8. GENERAL CONDITIONS

8.1. The basic parameters relevant to the scope of this project will be defined immediately after acceptance of this proposal to allow enough time for the adequate planning of the project.

8.2. Our work does not represent an audit of financial statements or a review of the work performed by the client's auditors. Therefore, our work cannot be considered or interpreted as an opinion or conclusion in this regard.

8.3. The present proposal can be rescinded by a mutual agreement between both parties. In this case, APSIS will collect payment fees (as determined in Chapter 5) proportionally to the amount of work already performed.

8.4. Traveling and lodging expenses are not included in the value of this proposal. If necessary, they will be charged separately, being subject to the client's prior approval. In case said arrangements are performed directly by APSIS, the costs will be charged to the client (the receipts for such costs will be properly accounted for), being exempt from any taxation as they do not constitute the object of the herein contract.

8.5. The parties have elected the city of Rio de Janeiro as the relevant jurisdiction and court, excluding any other

courts, no matter how privileged they may be, to resolve any matter that may arise during the realization of this proposal, as well as all situations not mentioned in this document.

9. ACCEPTANCE AND CONTRACT

Upon acceptance, the proposal must be signed by the company's legal representative and subsequently returned to APSIS, followed by all the documentation required in order for APSIS to begin rendering services.

Once the proposal has been returned to APSIS, it will become a formal contract between APSIS and its client according to the current civil legislation.

The legal representatives of both parties are to sign 2 copies of the present proposal, after which the proposal will automatically become a contract for the rendering of services.

Best regards,



LUIZ PAULO CESAR SILVEIRA
Technical Vice President



MIGUEL CÔRTEZ CARNEIRO MONTEIRO
Director

Acceptance:

(Location / Date)

Legal Representative

Company Registration Number (CRN):

Witness 1:

Witness 2:

Identification number:

Identification number:

RIO DE JANEIRO
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MINAS GERAIS
Tel.: +55 31 98299-6678
apsis.mg@apsis.com.br



EXHIBIT XIII
APPRAISAL REPORT

APPRAISAL REPORT
AP-00139/21-01

**NEOLOG CONSULTORIA E
SISTEMAS S.A.**

APPRAISAL REPORT:	AP-00139/21-01	VALUATION DATE:	January 31 st , 2021
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**APPRAISAL REPORT OF NEOLOG CONSULTORIA E SISTEMAS S.A.' NET EQUITY,
DETERMINED BY ACCOUNTING BOOKS**

APSIS CONSULTORIA E AVALIAÇÕES LTDA., limited simple society, established at Rua do Passeio, no. 62, 6th Floor, Centro, City and State of Rio de Janeiro, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under no. 08.681.365/0001-30, registered in the Regional Council of Accounting of the State of Rio de Janeiro under the no. 005112/O-9, represented by its undersigned partner, Mr. MIGUEL CÔRTEZ CARNEIRO MONTEIRO, economist, bearer of the National General Registry no. 25.647.900-7, issued by DETRAN/RJ, subscribed in the Individual Registration under the no. 105.918.297-11, resident and domiciled in the City and State of São Paulo, with head office localized at Avenida Angélica, no. 2.503, Set 102, Consolação, City and State of São Paulo, nominated by the TOTVS S.A., hereinafter denominated TOTVS, established at Avenida Braz Leme, no. 1.000, Casa Verde, City and State of São Paulo, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under the no. 53.113.791/0001-22, to proceed with the net equity's appraisal of the NEOLOG CONSULTORIA E SISTEMAS S.A., hereinafter denominated NEOLOG, established at Avenida Engenheiro Luiz Carlos Berrini, no. 1.681, 14th Floor, Set 142, Cidade Monções, City and State of São Paulo, subscribed with the Nacional Register of Legal Entities of the Brazilian Ministry of Finance under the no. 05.254.381/0001-59, on January 31st, 2021, in accordance with the Brazilian accounting practices, features next the result of its work.

1. PURPOSE OF APPRAISAL

NEOLOG's accounting net equity appraisal on January 31st, 2021, for the purposes of its incorporation by TOTVS, in compliance with applicable laws and regulations.

2. MANAGEMENT'S RESPONSIBILITY ABOUT THE ACCOUNTING INFORMATION

The company's management is responsible for the bookkeeping and elaboration of the accounting information in accordance with Brazilian accounting practices, as well as for the relevant internal controls necessary to prepare the accounting information, without distortions, whether these distortions were caused by fraud or mistake. The summary of the main accounting practices adopted by NEOLOG is described in the Attachment 2 of this Appraisal Report.

3. SCOPE OF WORK AND ACCOUNTANT'S RESPONSIBILITY

It's our responsibility to present a conclusion on the net book value of NEOLOG on January 31st, 2021, in accordance with the Technical Communication CTG 2002, approved by the Federal Accounting Council (CFC), which provides the guidelines of work to issue Appraisal Reports.

Thus, we've examined the company's balance sheet in accordance with the applicable accounting standards and in compliance with ethical requirements. In addition, we have planned and executed the analysis in order to obtain reasonable assurance that the balance sheet is free from material misstatement.

The issuance of an Appraisal Report involves the execution of procedures to obtain evidence regarding the amounts accounted. This analysis depends on the accountant's judgment, including the assessment of the risks of significant distortion in shareholders' equity, regardless of whether it is caused by fraud or error. In such an analysis, the accountant considers the management controls pertinent to the company's balance sheet and the appropriate processes to the circumstances, but it doesn't have the objective of expressing an opinion on the effectiveness of such documents.

The work also covers the assessment of the adequacy of the accounting policies used and the reasonableness of the accounting estimates made by the management of NEOLOG. We believe that the evidence obtained is sufficient and adequate to support our conclusion.

4. CONCLUSION

Based on the work performed, we concluded that the value of **R\$ 2,498,709.35** (two million, four hundred and ninety-eight thousand, seven hundred and nine reais and thirty-five cents), as the January 31st, 2021 equity value, recorded in the accounting books and summarized in Attachment 1, represents, in all material respects, the net book value of **NEOLOG**.

5. EMPHASIS

We would like to call your attention to the note presented in Attachment 2 of this Appraisal Report, which describes the uncertainty regarding the quantitative and qualitative impacts arising from the recent COVID-19 pandemic. Our conclusion about **NEOLOG**'s book equity is not qualified due to this matter.

São Paulo, February 17th, 2021.

APSIS CONSULTORIA E AVALIAÇÕES LTDA.
CRC/RJ 005112/O-9

MIGUEL CÔRTEZ CARNEIRO MONTEIRO
Director

EVELYNE FERRARI
Projects (CRC/SP-313879/O-3)

6. LIST OF ATTACHMENTS

1. SUPPORT DOCUMENTATION
2. SUMMARY OF THE MAIN ACCOUNTING PRACTICES ADOPTED BY NEOLOG
3. GLOSSARY

RIO DE JANEIRO - RJ
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Consolação, CEP 01227-200
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A small orange triangle pointing to the right.

ATTACHMENT 1

Neolog Consultoria e Sistemas S.A.

Statements of financial position as at January 31, 2021 and December 31, 2020 (in thousands of reais)

	2.021	2.020
Assets		
Current assets	5.237	4.979
Cash and cash equivalents	1.462	1.246
Escrow account	-	-
Trade receivables	3.688	3.692
Reserve for bad debt	(45)	(67)
Inventories	-	-
Recoverable taxes	13	53
Other assets	119	55
Noncurrent assets	587	592
Escrow account	-	-
Trade receivables	-	-
Loan-loss provision	-	-
Recoverable taxes	-	-
Receivables from related parties	-	-
Deferred tax assets	-	-
Judicial deposits	-	-
Other assets	60	60
Investments	-	-
Property, plant and equipment	245	254
Intangible assets	31	6
Right-of-Use Asset	251	272
Total assets	5.824	5.571

Liabilities and equity

Current liabilities	3.025	2.915
Accounts payable	1.222	1.197
Share-based payments expense	212	147
Losses on disposal of fixed assets and investments	311	300
Allowance for expected credit losses	19	12
Equity pickup	258	257
Provision for contingencies, net of reversals	-	-
Reversals of provision net of additional provisions on other obligations and others	1.003	1.002
Noncurrent liabilities	300	311
Loans, financing and lease liabilities, debentures	-	22
Accounts payable from acquisition of subsidiaries	-	-
Provision for contingency	-	-
Accounts payable from acquisition of subsidiaries	300	289
Other liabilities	-	-
Shareholders' equity	2.499	2.345
Capital	660	660
Treasury shares	-	-
Capital reserves	-	-
Other comprehensive income	-	-
Reserve	1.839	1.685
Total Shareholders' equity and liabilities	5.824	5.571

Statements of cash flows January 31, 2021 and for the year ended December 31, 2020

Cash flow from operating activities	209	548
Profit before tax from continuing operations		
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	30	460
Share-based payments expense	-	-
Losses on disposal of fixed assets and investments	(21)	(60)
Allowance for expected credit losses	-	42
Equity pickup	-	-
Provision for contingencies, net of reversals	-	-
Reversals of provision net of additional provisions on other obligations and others	-	-
Interest and monetary variations and exchange variations differences, net	1	6
Changes in operating assets and liabilities:	5	(851)
Trade receivables	-	-
Inventories	(64)	59
Other assets	-	-
Judicial deposits	-	-
Labor liabilities	25	164
Recoverable taxes	40	(51)
Trade and other payables	65	(38)
Commissions payable	7	12
Taxes and contributions payable	(34)	121
Other liabilities	-	(2)
Cash flow provided by operations	263	410
Interest paid	(1)	(6)
Income tax and social contributions paid	-	(261)
Net cash from operating activities	262	143

Statements of profit or loss - January 31, 2021 and for the year ended December 31, 2020

	2.021	2.020
Software revenue	907	9.220
Cost of software	(238)	(2.873)
Gross profit	670	6.347
Operating income (expenses)		
Research and development expenses	(366)	(3.973)
Selling and marketing expenses	(0)	(535)
General and administrative expenses	(88)	(932)
Depreciation and amortization	(30)	(460)
Provision for expected credit losses	21	(43)
Other operating income (expenses)	-	60
Operating profit	207	464
Finance income	3	161
Finance expenses	(1)	(77)
Equity pickup	-	-
Profit before tax from continuing operations	209	548
Income tax and social contribution - current	(45)	-
Income tax and social contribution - deferred	(11)	(191)
Profit for the year	153	357

Statements of changes in shareholder's equity - January 31, 2021 and for the year ended December 31, 2020

	Capital Reserve	Legal Reserve	Profit Reserve	Treasury shares	Other comprehensive income	Total Shareholders' Equity
As at January 1, 2020	660	-	132	2.196	-	2.988
Issuance of share capital, net of issuance costs	-	-	-	-	-	-
Profit for the year	-	-	357	-	-	357
Dividends	-	-	(1.000)	-	-	(1.000)
Share-based compensation plan	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Cumulative adjustment for currency exchange	-	-	-	-	-	-
Effect of adoption of IFRS 16 Leases	-	-	-	-	-	-
Appropriation of retained earnings	-	-	-	-	-	-
As at December 31, 2020	660	-	132	1.553	-	2.345
Issuance of share capital, net of issuance costs	-	-	-	-	-	-
Profit for the year	-	-	153	-	-	153
Dividends	-	-	-	1	-	1
Share-based compensation plan	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	-
Appropriation of retained earnings	-	-	8	(8)	-	-
Cumulative adjustment for currency exchange	-	-	-	-	-	-
As at January 31, 2021	660	-	140	1.699	-	2.499

Notes to the financial statements: 1) Operational context: Neolog Consultoria e Sistemas SA is a privately held corporation, headquartered at Luis Carlos Berrini Avenue, nº 1681, set nº 82, in the city of São Paulo, state of São Paulo. The Company is engaged in the development and licensing of computer programs. 2) Basis of preparation and summary of the main accounting policies: The financial statements have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPCs). The financial statements have been prepared using historical cost as the basis for value. The preparation of financial statements requires the use of certain critical accounting estimates and, more than that, it requires an exercise of judgment by the Company's management. The main estimates are: (i) Allowance for loan losses; (ii) Reasonable value of tangible and intangible assets; and (iii) Deferred taxes.

Fabício de Assis Ramos Orrico
Executive Director

Carlos Alberto Vieira
Accountant CRC 1SP20656/O-0

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ATTACHMENT 2

ABSTRACT OF THE PRINCIPAL ACCOUNTING PRACTICES ADOPTED BY NEOLOG

▪ Cash and cash equivalents

Cash and cash equivalents are maintained to meet the company's short-term cash commitments and strategic investments, although they can still be used for other purposes.

▪ Accounts receivable

Accounts receivable are initially recognized at the transaction value and are subsequently measured at amortized cost using the effective interest rate method less the allowance for doubtful accounts. A provision for doubtful debts is set up when there is objective evidence that the company will not receive all amounts due in accordance with the original conditions of accounts receivable.

▪ Social and labor obligations

The balances of social and labor obligations are composed of profit sharing; payroll loans by financial institution; union contribution; holiday provision; provision of thirteenth salary; transient wages; provision of benefits; INSS to be paid; and FGTS to be collected.

▪ Obligations to shareholders

Refers to dividends paid to TOTVS, NEOLOG's sole shareholder.

▪ Deferred taxes

Deferred taxes are recognized to the extent that it is probable that future taxable profit will be available to be used to offset temporary differences and / or tax losses, based on projections of results prepared and based on internal assumptions and future economic scenarios, which therefore, they can change.

Current income tax and social contribution are shown net in liabilities (when there are amounts to be paid) or net in assets (when the amounts paid in advance exceed the total due on the date of the report). Deferred taxes are presented at net value.

EFFECTS OF COVID-19 ON ACCOUNTING INFORMATION

On the date of emission of this Report, NEOLOG does not foresee any risks to the continuity of its operations, nor to the main judgments and accounting estimates. However, the company has already reflected the economic and financial implications of the COVID-19 pandemic in the accounting items of January 31st, 2021.

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ATTACHMENT 3

Glossary

A

Amortization

Systematic allocation of the depreciable value of an asset over its useful life.

Asset

A resource controlled by the entity as a result of past events from which future economic benefits are expected for the entity.

Asset Approach

Valuation of companies where all assets (including those not accounted for) have their values adjusted to the market. Also known as market net equity.

B

Base Date

Specific date (day, month and year) of application of the assessment value.

Basic Infrastructure

Urban rainwater drainage equipment, street lighting, sewage system, drinking water, public and home electricity supply and access routes.

Book Value

The value at which an asset or liability is recognized on the balance sheet.

Business Combination

Union of separate entities or businesses producing financial statements of a single reporting entity. Transaction or other event by which an acquirer obtains control of one or more businesses, regardless of the legal form of operation.

C

CAPEX (Capital Expenditure)

Fixed asset investments.

Capital Structure

Composition of a company's invested capital, between own capital (equity) and third-party capital (debt).

Cash Flow

Cash generated by an asset, group of assets or business during a given period of time. Usually the term is supplemented by a qualification referring to the context (operating, nonoperating, etc...).

Cash Flow on Invested Capital

Cash flow generated by the company to be reverted to lenders (interest and amortizations) and shareholders (dividends) after consideration of cost and operating expenses and capital investments.

Cash-Generating Unit

Smallest identifiable group of assets generating cash inflows that are largely independent on inputs generated by other assets or groups of assets.

Company

Commercial or industrial entity, service provider or investment entity holding economic activities.

Conservation Status

Physical status of an asset as a result of its maintenance.

Control

Power to direct the strategic policy and administrative management of a company.

Cost

The total direct and indirect costs necessary for production, maintenance or acquisition of an asset at a particular time and situation.

Cost of Capital

Expected rate of return required by the market as an attraction to certain investment funds.

CFC

Conselho Federal de Contabilidade

CPC (Comitê de Pronunciamentos Contábeis)

Accounting Pronouncements Committee.

CVM

Securities and Exchange Commission.

D

Date of Issue

Closing date of the valuation report, when conclusions are conveyed to the client.

DCF (Discounted Cash Flow)

Discounted cash flow.

D & A

Depreciation and amortization.

Depreciable Value

Cost of the asset, or other amount that substitutes such cost (financial statements), less its residual value.

Depreciation

Systematic allocation of the depreciable value of an asset during its useful life.

Direct Production Cost

Spending on inputs, including labor, in the production of goods.

Discount Rate

Any divisor used to convert a flow of future economic benefits into present value.

E

EBIT (Earnings before Interest and Taxes)

Earnings before interest and taxes.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

Earnings before interest, taxes, depreciation and amortization.

Economic Benefits

Benefits such as revenue, net profit, net cash flow, etc.

Enterprise

Set of properties capable of producing revenue through marketing or economic exploitation. It can be: real estate (e.g. subdivision, commercial / residential buildings), real-estate based (e.g., hotel, shopping mall, theme parks), industrial or rural.

Enterprise Value

Economic value of the company.

Equity Value

Economic value of the equity.

Expertise

Technical activity performed by a professional with specific expertise to investigate and clarify facts, check the status of property, investigate the causes that motivated a particular event, appraise assets, their costs, results or rights.

F

Facilities

Set of materials, systems, networks, equipment and operational support services for a single machine, production line or plant, according to the degree of aggregation.

Fair Market Value

Value at which an asset could have its ownership exchanged between a potential seller and a potential buyer, when both parties have reasonable knowledge of relevant facts and neither is under pressure to do so.

Financial Lease

That which substantially transfers all the risks and benefits related to the ownership of the asset, which may or may not eventually be transferred. Leases that are not financial leases are classified as operating leases.

Fixed Asset

Tangible asset available for use in the production or supply of goods or services, in third-party leasing, investments, or for management purposes, expected to be used for more than one accounting period.

G

Goodwill

See Premium for Expected Future Profitability.

I

IAS (International Accounting Standards)

Principles-based standards, interpretations and the framework adopted by the International Accounting Standards Board (IASB). See International Accounting Standards.

IASB (International Accounting Standards Board)

International Accounting Standards Board. Standard setting body responsible for the development of International Financial Reporting Standards (IFRSs).

IFRS (International Financial Reporting Standards)

International Financial Reporting Standards, a set of international accounting pronouncements published and reviewed by the IASB.

Impairment

See Impairment losses

Impairment Losses (impairment)

Book value of the asset that exceeds, in the case of stocks, its selling price less the cost to complete it and expense of selling it; or, in the case of other assets, their fair value less expenditure for sale.

Income Approach

Valuation method for converting the present value of expected economic benefits.

Indirect Production Cost

Administrative and financial costs, benefits and other liens and charges necessary for the production of goods.

Intangible Asset

Identifiable non-monetary asset without physical substance. This asset is identifiable when: a) it is separable, i.e., capable of being separated or divided from the entity and sold, transferred, licensed, leased or exchanged, either alone or together with the related contract, asset or liability; b) it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

International Accounting Standards (IAS)

Standards and interpretations adopted by the IASB. They include: International Financial Reporting Standards (IFRS) International Accounting Standards (IAS) and interpretations developed by the Interpretation Committee on International Financial Reporting Standards (IFRIC) or by the former Standing Interpretations Committee (SIC).

Investment Property

Property (land, building or building part, or both) held by the owner or lessee under the lease, both to receive payment of rent and for capital appreciation or both, other than for use in the production or supply of goods or services, as well as for administrative purposes.

Investment Value

Value for a particular investor based on individual interests in the property in question. In the case of business valuation, this value can be analyzed by different situations, such as the synergy with other companies of an investor, risk perceptions, future performance and tax planning.

L

Liability

Present obligation that arises from past events, whereby it is hoped that the settlement thereof will result in the inflow of funds from the entity embodying economic benefits.

Liquidity

Ability to rapidly convert certain assets into cash or into the payment of a certain debt.

M

Market Approach

Valuation method in which multiple comparisons derived from the sales price of similar assets are adopted.

Multiple

Market value of a company, share or invested capital, divided by a valuation measurement of the company (EBITDA, income, customer volume, etc...).

N

Net Debt

Cash and cash equivalents, net position in derivatives, short-term and long-term financial debts, dividends receivable and payable, receivables and payables related to debentures, short-term and long-term deficits with pension funds, provisions, and other credits and obligations to related parties, including subscription bonus.

Non-Operating Assets

Those not directly related to the company's operations (may or may not generate revenue) and that can be disposed of without detriment to its business.

O

Operating Assets

Assets that are basic to the company's operations.

Operating Lease

That which does not substantially transfer all the risks and benefits incidental to the ownership of the asset. Leases that are not operating leases are classified as financial leases.

P

Parent Company

An entity that has one or more subsidiaries.

Premium for Expected Future Profitability (goodwill)

Future economic benefits arising from assets not capable of being individually identified or separately recognized.

Present Value

The estimated present value of discounted net cash flows in the normal course of business.

Price

The amount by which a transaction is performed involving a property, a product or the right thereto.

Property

Something of value, subject to use, or that may be the object of a right, which integrates an equity.

R

Real Estate

Property, consisting of land and any improvements incorporated thereto. Can be classified as urban or rural, depending on its location, use or to its highest and best use.

Recoverable Value

The highest fair value of an asset (or cashgenerating unit) minus the cost of sales compared with its value in use.

Remaining Life

A property's remaining life.

Replacement Cost

A property's reproduction cost less depreciation, with the same function and features comparable to the property assessed.

Replacement Value for New

Value based on what the property would cost (usually in relation to current market prices) to be replaced with or substituted by a new, equal or similar property.

Reproduction Cost

Expense required for the exact duplication of a property, regardless of any depreciation.

Reproduction Cost Less Depreciation

A property's reproduction cost less depreciation, considering the state it is in.

Residual Value

Value of new or used asset projected for a date limited to that in which it becomes scrap, considering its being in operation during the period.

Residual Value of an Asset

Estimated value that the entity would obtain at present with the sale of the asset, after deducting the estimated costs thereof, if the asset were already at the expected age and condition at the end of its useful life.

S

Shareholders' Equity at Market Prices

See Assets Approach.

Subsidiary

Entity, including that with no legal character, such as an association, controlled by another entity (known as the parent company).

Supporting Documentation

Documentation raised and provided by the client on which the report premises are based.

T

Tangible Asset

Physically existing asset, such as land, building, machinery, equipment, furniture and tools.

Technical Report

Detailed report or technical clarification issued by a legally qualified and trained professional on a specific subject.

U

Useful Economic Life

The period in which an asset is expected to be available for use, or the number of production or similar units expected to be obtained from the asset by the entity.

V

Valuation

Act or process of determining the value of an asset.

Valuation Methodology

One or more approaches used in developing evaluative calculations for the indication of the value of an asset.