

# General Shareholders' Meeting Manual 2017



Information on:

**the Ordinary and Extraordinary General  
Shareholders' Meeting  
April 20<sup>th</sup>, 2017**

Time: 10am

Location: Avenida Braz Leme, 1,000 - São Paulo (SP)



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# 1. MESSAGE FROM THE CHAIRMAN

São Paulo, March 17<sup>th</sup>, 2017

Dear Shareholder,

In 2016, we had a significant progress in the transition from the licensing model to the software subscription model in 2016. This progress is evidenced by the 21.4% growth in subscription revenue, which contributed to the stability of the software revenue in the year, despite the worsening economic scenario observed throughout the period.

We reinforced the Company's corporate governance structure with the publication of our first Integrated Reporting and the creation of the Governance and Designation Committee. We renewed a part of the vice-presidents and officers in 2016, with the hiring of new executives aligned to the culture of a subscription-based company, as part of the Company's succession plan. Today, we have a collaborative, digital and results-driven team that uses technology and business knowledge to promote innovation and understands that the client success is also our success.

We made progress in integrating Bematech operations and expanded our market share in the micro segment with the launch of Bemacash, a solution that combines the management software Fly01 of TOTVS with Bematech's hardware solutions, and Fly01 Start, an agnostic application that functions as a point-of-sale integrated with the new generation of payment terminals. We also intensified our investments in the specialization of our solutions, in mobile and cloud, developing specialized solutions for clients of our clients, thus making the management of their businesses even more efficient.

We will continue our journey to make TOTVS a "Single Subscription Company", promoting the digital transformation in our clients through specialized business solutions, digital platforms, cloud infrastructure, mobility and Internet of things. The progress made in the transition to subscription over the last 18 months, combined with the Company's investments and the opportunities in Brazil, give us the confidence that TOTVS is on the right path to resume growth and profitability in 2017.

Thus, I invite the shareholders to read this manual, which details the matters to be discussed at the Ordinary and Extraordinary General Shareholders' Meeting on April 20<sup>th</sup>, 2017, **in our new headquarters**. Among the matters to be appreciated are the approval of the financial statements related to the fiscal year of 2016, the annual global compensation of the members of the Board of Directors and Executive Officers for 2017; the proposed of capital budget for 2017, the proposal for the allocation of the 2016 net income; the election of 3 new members of the Board of Directors and the capital increase through the capitalization of the profit retention reserve.

Sincerely,

Pedro Luiz Barreiros Passos

## 2. SHAREHOLDER'S MEETING AGENDA

### MATTERS OF THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING

#### In the Ordinary General Shareholder's Meeting

- (i) **Appreciate the managers accounts, review, discuss and vote the financial statements of the Company related to the fiscal year ended on December 31, 2016;** *We propose the approval of the managers accounts and the financial statements related to the fiscal year of 2016, as published on February 22, 2017, on the websites of the Brazilian Securities and Exchange Commission ("CVM") and BM&FBOVESPA - Securities, Commodities and Futures ("BM&FBovespa"), through the Periodic Information System (IPE), and published on February 23, 2017 on the newspapers "Valor Econômico" and "Diário Oficial do Estado de São Paulo".*
- (ii) **Resolve on the capital budget for the purpose of article 196 of the Law number 6.404/76; and** *We propose the retention of profits in the amount of R\$54,237,526.81 to meet the Company's investment plan for 2017, which covers expansion projects, acquisition of assets and strategic initiatives. The total amount to be allocated to the Investment Plan proposed by the Board is R\$57,000,000.00 and will be supported by the retention of profits and by own resources generated by the Company's operating activities.*
- (iii) **Resolve on the allocation of the net income of the fiscal year and dividends distribution.**

#### In the Extraordinary General Shareholder's Meeting

- (i) **Resolve on the election of 3 (three) members of the Board of Directors to complete the unified term of office of (2) two years, with no possibility of multiple vote;** *Due to the resignation of the members of the Company's Board of Directors, Mrs. Maria Helena dos Santos Fernandes de Santana, Mr. Sergio Foldes Guimarães and Mr. Danilo Ferreira da Silva, announced by Notice to Shareholders on 03/03/2017, the Board proposes the resolution of the election of three (3) new members to complete the mandate of the resigning board members.*

*The management, with the recommendation of the Governance and Nomination Committee, supports the election of the following candidates:*

- (i) Henrique Andrade Trinckquel Filho (appointed by the shareholder Petros);*
- (ii) Maria Letícia de Freitas Costa; e*
- (iii) Gilberto Mifano.*

*The resigning directors were elected at the Ordinary and Extraordinary Shareholders Meeting held on April 26, 2016, for a unified term of two (2) years to be concluded at the Ordinary Shareholders Meeting of 2018. Thus, the term of the new members to be elected to compose the Board of Directors will end at the Ordinary Shareholders Meeting of 2018.*

**(ii) Resolve on the annual global compensation of the members of the Board of Directors and Executive Officers for the fiscal year of 2017;**

*We propose that the total compensation of the members of the board of directors for fiscal year of 2017 be set in a total amount of up to R\$30,036,661.85, that is, 2.6% lower than the proposal for total compensation approved for the fiscal year of 2016.*

**(iii) Resolve on the capital increase through capitalization of the profit retention reserve, with the consequent amendment of the Art. 5 of the Company's bylaws; and**

*Due to investments made from 2013 to 2015, the Board of Directors proposes he increase of the share capital by R\$448,466,498.84, without the issuance of new shares, upon the capitalization of the profit retention reserve resulting from capital budget, with the consequent amendment of the caput of art. 5 of the Company's by-laws.*

**(iv) In case of approval of item (iii) above, resolve on the proposal to increase the authorized capital, with the consequent amendment of the caput of Art. 6 of the Company's bylaws.**

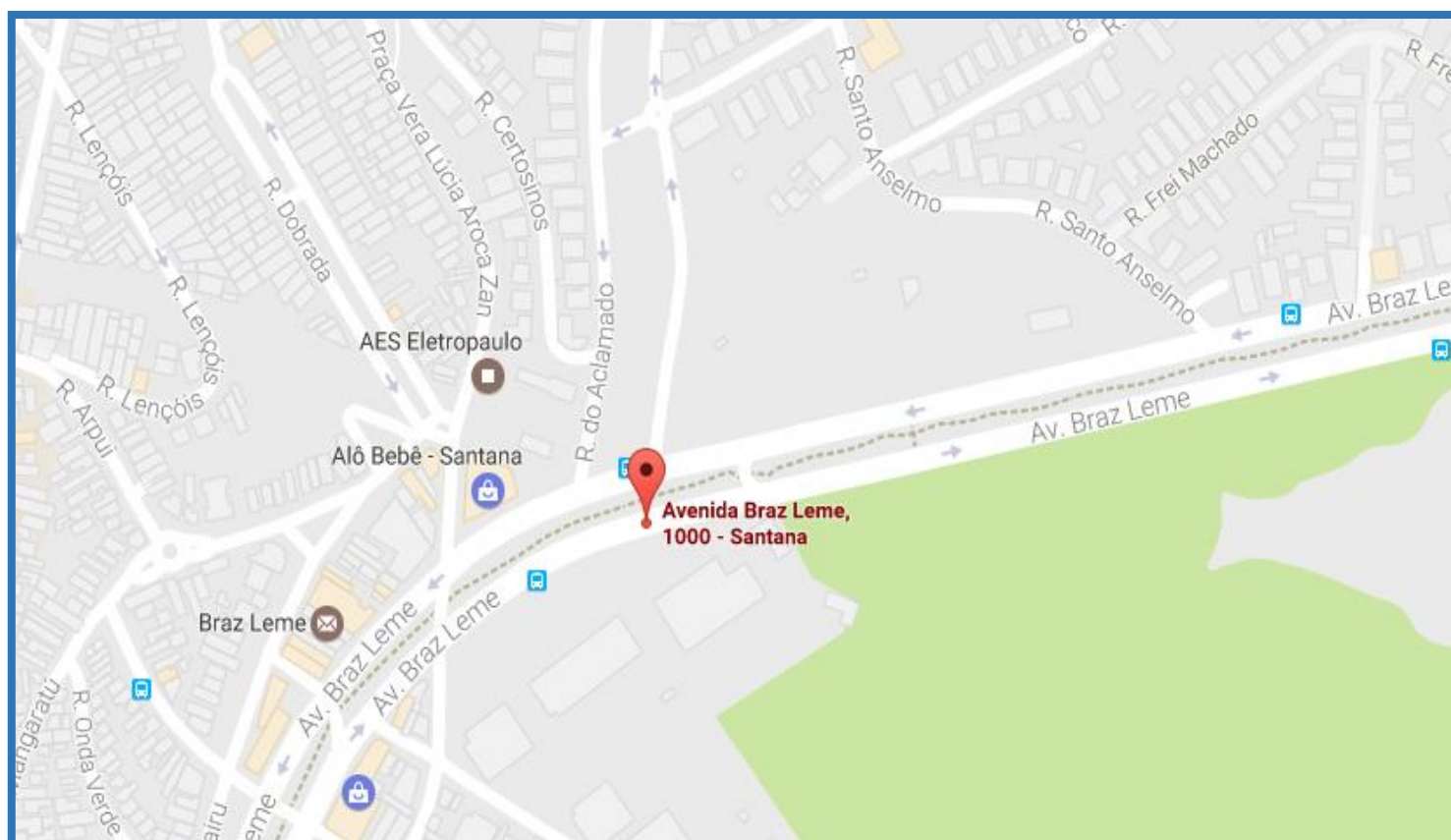
*The board of directors proposes that the authorization to increase the share capital regardless of statutory amendment be increased from R\$800,000,000.00 to R\$1,300,000,000.00, due to the increase of the share capital increase, object of the previous resolution, that changing from R\$541,374,269.58 to R\$ R\$989,840,768.42, exceeds the authorization granted on the bylaws currently in force.*

## 3. GUIDENCE FOR PARTICIPATION

### 3.1. DATE, TIME AND LOCATION

**DATE AND TIME:** April 20, 2017, at 10am. It's recommended that the shareholders arrive 30 minutes earlier than the indicated time.

**LOCATION:** TOTVS New Campus - Rua Desembargador Euclídes Silveira, 232 (entrance at Avenida Braz Leme, 1000), Santana, São Paulo (SP).



## 3.2. GENERAL INFORMATION

### ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDER'S MEETING:

#### **GENERAL INFORMATION:**

Pursuant to Article 132 of Law 6,404/76, the corporations should hold the Annual Ordinary General Meeting within four months after the end of the fiscal year. TOTVS's fiscal year begins on January 1 and ends on December 31 of each year. Thus, each year, the company has to conduct the Annual General Meeting until April 30.

Furthermore, on an exceptional basis, the shareholders should deliberate in the same General Meeting: (i) the election of 3 (three) members of the Board of Directors in order to complete a unified term of (2) two years; (ii) establish the total compensation of the members of the Board of Directors and Executive Board for the fiscal year of 2017; (iii) the proposal of share capital increase upon the capitalization of the profit retention reserve, with the consequent amendment of the caput of Art. 5 of the Company's bylaws; and (iv) in case of approval of item (iii) above, resolve on the proposal to increase the authorized capital, with the consequent amendment of the caput of art. 6 of the Company's bylaws.

Thus, the General Meeting of April 20, 2017 will be an Ordinary and Extraordinary General Shareholders' Meeting.

#### **REQUIRED DOCUMENTATION:**

Pursuant to Article 10, paragraph 5 of the Company's By-Laws, the Shareholders shall submit the following documentation, with at least 48 (forty eight) hours in advance of the Meeting, in addition to the identity card and/or applicable corporate documents evidencing legal authority, as the case may be: (i) certificate issued by the depositary institution within 5 (five) days before the date of the Meeting; (ii) proxy with the grantor's notarized signature; and/or (iii) in the case of Shareholders whose shares are held in fungible custody, a statement containing the relevant shareholder ownership interest, issued by the competent body.

#### **PUBLIC REQUEST FOR PROXY:**

The management of TOTVS will make a public request for proxy, in accordance with Article 22 et seq. of CVM Instruction 481/09, to vote on the Company's Ordinary and Extraordinary Shareholders' Meeting.

The management of the Company requests proxies in order to ensure Shareholders participation on said Meeting. Shareholders may vote in favor of or against, or abstain from voting on the matters included in the agenda of the Call Notice published on March 17, 2017.

In case it is of your interest, you will be able to designate (a) **Paulo Roberto Bellentani Brandão** and **Joyce Costacurta Pacheco** to vote in favor, (b) **Anderson Carlos Koch** and **Rita de Cassia Serra Negra** to vote against and (c) **Christiano Marques de Godoy** and **Luciana Pontes de Mendonça Ikeda** to abstain from voting in relation to the items of the agenda.

### **REMOTE VOTING FORM:**

The Company will also enable the shareholder to exercise his right to vote by remote voting form. Shareholders holding shares issued by the Company that are deposited in a central depository may transmit the voting instructions to complete the Remote Voting Form through their respective custodian agents, if they provide this type of service.

Banco Itaú, a stock exchange bookkeeping of TOTVS, through an electronic platform, may also carry out the collection and transmission of voting instructions. For this, the shareholder must register on the Itaú Securities Services Assembleia Digital on the following website: <https://www.itaubr.com.br/securitiesservices/assembleiadigital/>.

Furthermore, the shareholder who opts to exercise his right to vote remotely, by sending directly to the Company, shall forward the following documents to Avenida Braz Leme, 1631 - 2º andar, city of São Paulo, State of São Paulo, Brazil, to the Investor Relations Office:

- (i) *physical form of the Remote Voting Form related to the General Meeting meeting duly completed, initialed and signed; and*
- (ii) *certified copy of the following documents:*

For individuals:

- *identity document with a picture of the shareholder;*

For legal entities:

- *latest bylaws or consolidated social contract and the corporate documents proving the legal representation of the shareholder; and*
- *Identity document with a picture of the legal representative.*

For investment funds:

- *the latest consolidated regulation of the fund;*
- *latest bylaws or consolidated social contract of its director or manager, as the case may be, observing the voting policy of the fund, and corporate documents proving the powers of representation; and*
- *Identity document with a picture of the legal representative.*

In relation to the documents indicated in items i and ii above, the Company requests, as the case may be, notarization and consularisation (with the exception of alternative procedures that may be admitted under international agreements or conventions).



The Remote Voting Ballot, accompanied by the respective documentation, will be considered only if received by the Company, fully completed, up to 7 days before the date of the Meeting. Pursuant to Article 21-U of CVM Instruction 481, the Company will notify the shareholder if the documents received are sufficient for the vote to be considered valid, or the procedures and deadlines for eventual rectification or resubmission, if necessary.

**ON-LINE VOTE:**

The Company does not currently provide electronic system for reception of Remote Voting Forms or of remote participation.

**QUORUM:**

The orders of the Ordinary General Shareholders' Meeting and the orders (i) and (ii) of the Extraordinary General Shareholders' Meeting shall be installed on first call with the presence of shareholders representing at least 1/4 (one-fourth) of the capital with the right of vote.

The orders (iii) and (iv) of the Extraordinary General Shareholders' Meeting shall be installed on first call with the presence of shareholders representing at least 2/3 (two-thirds) of the capital with the right of vote.

**SUPPORT MATERIAL FOR THE GENERAL MEETING:**

Documents related to the matters to be discussed in the Meeting, including those documents required by the CVM Instruction 481/2009, are available to the Shareholders at the Company's head offices and on the Investor Relations website (<http://www.totvs.com/ir>), as well as on the CVM and BM&FBOVESPA websites.

## 4. LINKS OF INTEREST

- INVESTOR RELATIONS WEBSITE:  
<http://ir.totvs.com/enu>
- FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS:  
[http://ir.totvs.com/enu/2737/TOTVSDFP2016\\_ENG\\_final.pdf](http://ir.totvs.com/enu/2737/TOTVSDFP2016_ENG_final.pdf)
- CALL NOTICE:  
[http://ir.totvs.com.br/enu/2757/Edital%20de%20Convocao%20AGOE%202017\\_ENG.pdf](http://ir.totvs.com.br/enu/2757/Edital%20de%20Convocao%20AGOE%202017_ENG.pdf)
- PUBLIC REQUEST FOR PROXY:  
[http://ir.totvs.com.br/enu/2759/Comunicado%20PPP\\_ENG%202017.pdf](http://ir.totvs.com.br/enu/2759/Comunicado%20PPP_ENG%202017.pdf)
- MANAGEMENT PROPOSAL:  
[http://ir.totvs.com.br/enu/2761/Proposta%20da%20Administracao%20AGOE\\_ENG.pdf](http://ir.totvs.com.br/enu/2761/Proposta%20da%20Administracao%20AGOE_ENG.pdf)
- REMOTE VOTING FORM:  
[http://ir.totvs.com.br/enu/2763/Boletim%20de%20voto\\_ENG.pdf](http://ir.totvs.com.br/enu/2763/Boletim%20de%20voto_ENG.pdf)